SECURITIES REGULATION THAT WORKS

THE BC MODEL

A New Way to Regulate

For Issuers

Your guide to securities regulation in British Columbia

April 15, 2003

DOC
BC
B7463
D:S42I8
2003
c.3

BCSC
BRITISH COLUMBIA SECURITIES COMMISSION

NOTE TO READER:

We have prepared this draft Guide as a sample of the sort of formal written guidance that we would provide to issuers under the new legislation. It therefore reflects a proposed regime of regulation and the administrative processes that would accompany it, neither of which exist today.

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00278 5880

Securities Regulation That Works

The BC Model

Issuers Guide

April 15, 2003

LEGISLATIVE
VICTORIA B.C. MAY 05 2003

For Issuers —

Your Guide to Securities Regulation in British Columbia

Welcome to a new way to regulate

This Guide is to help you understand what is expected of issuers under British Columbia securities laws and to give you guidance on how to comply with those laws. We have built a system of securities regulation that is designed to protect investors while minimizing the regulatory burden on industry. We have done this by:

- establishing principles of regulation to ensure that investors in both the primary and secondary markets get the information they need to make investment decisions, and
- imposing requirements only to the extent they are necessary for the protection of investors and markets.

We think it is important that people like you, who have to comply with the requirements, are able to do so using your own judgment and experience. There is no avoiding the fact that securities regulation is a complex area, so there will always be times when you need to get professional advice. However, we believe that this should not be necessary for routine compliance matters, and that the system should be simple enough to understand so that you are able to make better judgments about when to get professional advice, and are better able to instruct your professional advisers when you do so. To create this sort of regulatory environment, we have:

- kept the rules as simple as possible,
- written them in plain language, and
- established guidance programs for issuers and other market participants.

We have adopted this approach because we believe it creates a system of regulation that works. Investors get the information and protection they need, and issuers do a better job of compliance because they understand what is expected of them.

How to use this Guide

The Guide is intended to be read along with the Securities Act and the Securities Rules.

The Act and Rules define and interpret certain words. Many of these words are used in this Guide. In some cases, where we wish to draw your attention to a defined term, we have italicized it. However, we have not italicized every term that is defined in the Act or the Rules, nor have we italicized a word each time it is used.

How to navigate the Act and Rules

The content of the Act and Rules is organized by subject matter into numbered Parts. The Parts are further divided by subject matter into divisions — A, B, C, etc. The sections within a division are numbered consecutively and include both the Part and the division. For example, section 4A1 is Part 4, Division A, section 1. The numbering in the Rules works the same way.

Generally, the Act contains the broad principle or prohibition, while the Rules contain more detailed requirements. Because of this a Part in the Rules will often contain more sections than the corresponding Part in the Act. For instance, Part 4A of the Act has only one section, while part 4A of the Rules has four sections.

How to get more help

This Guide is only part of our system of guidance for issuers. If you have specific questions that are not answered in this Guide, you can get answers by contacting us by phone or e-mail in the manner described on our website, www.bcsc.bc.ca.

Table of Contents

Part I. Raising Capital 7

A. Public Offerings 7
1. Becoming a Public Issuer 7
Filing an AIF 7
Alternative documents 8
Becoming listed on TSX Venture 8
Through a reorganization, takeover bid or business combination 8
Filing a notice of intention 8
Being designated by the Commission 9
2. Due Diligence Providers 9
The requirement 9
Non-dealer/adviser due diligence providers 9
3. Offerings After the IPO 9
No prospectus required 9
News release 10
Offering documents 10
4. Offerings in Other Jurisdictions 11

B. Private Placements 11
1. Private Placements to Exempt Purchasers 11
The exemption 11
Family members, close personal friends, and close business associates 12
Employees and consultants 12
2. Rights Offerings 12
3. Private Placements to Accredited Investors 13
4. Private Placements Under the Offering Memorandum Exemption 13
5. Offerings Under the *Employee Investment Act* 14
6. General Requirements for Using the Exemptions 14
Acting on behalf of an issuer 15
Other aspects of the Act still apply 15
Resale restrictions 15
Report of exempt trade 15
7. Offerings in Other Jurisdictions 15

Part II. Continuous Disclosure Requirements 17

A. Periodic Disclosure 17
1. Annual Information Form 17
2. Financial Statement Disclosure 17
Overview of requirements 17
Disclosure of non-GAAP earnings 18
3. Management's Discussion and Analysis 18
4. Failure to File 19
5. Pro Forma Financial Statements 19
6. Proxy Solicitation Materials 20
7. Annual Sales Report 20

B. Timely Disclosure 20
1. The Disclosure Obligation 20
2. Meaning of Material Information 20
Meaning of "material information" 20
Business acquisitions and combinations 21
External events 21
Compliance with the requirements of other Canadian jurisdictions 21
3. Timing of Disclosure 21
Establishing material information 21
Uncertainty 22
Undue detriment 22
Rumours 23
4. Management's Responsibilities 23

C. Handling Inside Information 23
1. Prohibition Against Trading or Disclosing Inside Information 23
2. "Necessary Course of Business" Exception 23
3. Areas of Risk 24
Private briefings with analysts, institutional investors and other market professionals 24
Partial disclosures 24
Analyst reports 24
4. Practices to Consider 25
Corporate disclosure policy 25
Coordination 26
Board and audit committee reviews 26
Limited spokespersons 26
Quiet periods and insider trading blackout periods 26
Chat rooms, bulletin boards and e-mails 26

D. Advertising 26
1. Avoiding Misrepresentations 26
2. Advertising in Other Canadian Jurisdictions 27

E. Insider Reporting Requirements 27
1. Senior Officers 27
2. List of Insiders 27
3. Reporting Exemption 27
4. Form to Use 28

F. Disclosure Requirements for Significant Securityholders 28

Part III. Exemptions for Corporate Transactions 29

A. Reorganizations, Take Over Bids and Business Combinations 29
B. Dividends in Kind 29
C. Direct Purchase Plans 29

Part IV. Market Participant Conduct 31

Part V. General Requirements for Issuers 33

A. Duty to Use Plain Language 33
B. Delivery of Documents 33
C. Additional Filing Requirements 33
D. Personal Information Forms 33

Part VI. Investor Remedies 35

A. Liability 35
B. Defences 35
C. Protections for Defendants 36

Part VII. Foreign Issuers 37

A. Exempt Foreign Issuers 37
B. Limited Connection Foreign Issuers 37
C. Conditions for Using the Foreign Issuer Exemptions 38
D. Accounting Principles and Auditing Standards 38
E. Exemptions for Securityholders 38
F. Take over Bids 38
G. Sending Documents to Canadian Securityholders 39
H. Language 39

Part VIII. Leaving the System 41

Appendices

Appendix A	Form 4B2/5A2 Annual Information Form and Guidelines	A-1
Appendix B	Form 3F11OM Offering Memorandum and Guidelines	B-1
Appendix C-1	Form 3F11R(RI) Risk Acknowledgement — Restricted Issuers	C-1-1
Appendix C-2	Form 3F11R(PI) Risk Acknowledgement — Public Issuers	C-2-1
Appendix D	Form 4D1 Annual Report of Sales of Securities by Restricted Issuer	D-1
Appendix E	Form 5C20 Annual Report of Sales of Securities by Public Issuer	E-1
Appendix F	Form 7C1/3/4 Notice by Foreign Issuer	F-1
Appendix G	Form 7C2 Notice by Exempt Foreign Issuer to Become Public Issuer	G-1

I. Raising Capital

ACT 1A1 This Part deals with public offerings and private placements of securities by issuers (other than *private issuers* and *mutual funds*). In the public offering section, it describes how to go public if you are not yet a *public issuer* and how to do subsequent offerings after you become one. The private placement sections describe how to raise capital, whether or not you are a public issuer.

If you are raising capital from people resident outside British Columbia, the public offering and private placement sections tell you how the British Columbia requirements work with the requirements elsewhere.

ACT 7A1 Part VII of this Guide describes the special rules for *foreign issuers* that offer securities to investors resident in British Columbia.

A. Public Offerings

ACT 1A1 To do a public offering, you must be a *public issuer*. (If you are a reporting issuer in British Columbia today, you are already a public issuer.)

1. Becoming a Public Issuer

ACT 4B1 There are six ways to become a public issuer:

RULES 4B1 • File an initial AIF (annual information form) — or one of the alternative documents described below — that is accepted by the Commission

4B2 • Become listed on the TSX Venture Exchange

4B7 • Complete a reorganization, take over bid, or business combination with an existing public issuer

• If you are an issuer that reports in another Canadian jurisdiction, file a notice of intention to become a public issuer

ACT 7C1 • If you are an issuer from a designated foreign jurisdiction, file a notice of intention to become a public issuer and the other documents described in Part VII of this Guide

• Be designated by the Commission as a public issuer

Filing an AIF

ACT 4B1 4B2 The most common means of becoming a public issuer is to prepare an initial AIF for the Commission to accept.

RULES 4B2 An issuer that wants to become a public issuer this way does so by preparing an initial AIF. The initial AIF contains all *material information* about your business and affairs and the required financial statements. In most cases, you will be filing the AIF in connection with your initial public offering (IPO). The AIF also contains all material information about the IPO or other transaction you plan to complete.

You must also retain a *due diligence provider*. This is discussed below.

Appendix A to this Guide contains the AIF form and Guidelines for completing it.

The initial AIF is not effective until the Commission accepts it. To get your initial AIF accepted, you file it in draft form with the Commission. (This is not a public filing.) Commission staff then vets the draft. In most cases, our review will focus on identifying any public interest concerns. The AIF Guidelines have more details.

Once you resolve any staff comments, you finalize the initial AIF and financial statements and file them publicly through SEDAR. The Commission will formally accept the AIF. You are now a public issuer and can proceed with your offering. (Your selling agent may conduct reasonable and customary pre-marketing activities for your IPO before the Commission accepts your initial AIF, but you cannot accept subscriptions for the securities offered until the initial AIF has been accepted.)

If you cannot satisfy staff concerns, staff may refuse to accept the AIF, but the Commission must first give you an opportunity to be heard.

In carrying out your offering, you are not required to deliver the initial AIF to an investor unless the investor requests it.

Alternative documents

RULES 4B3 An issuer that is participating in a share exchange take over bid or a *business combination* in British Columbia or another Canadian jurisdiction can file the take over bid or information circular as its initial AIF. An issuer can also file a prospectus that it is using in another Canadian jurisdiction.

ACT 7A1 An *exempt foreign issuer* (eg. an issuer based in the US, the United Kingdom or Australia) can file an offering or registration document from that jurisdiction as its initial AIF. See Part VII of this Guide.

These documents are still subject to the requirement that all material information about the issuer be disclosed, and they must be accepted by the Commission before the issuer becomes a public issuer.

Becoming listed on TSX Venture

RULES 4B1 An issuer that at any time has had its securities listed on the TSX Venture Exchange is a public issuer.

Through a reorganization, take over bid or business combination

ACT 4B1 Doing a reorganization, take over bid or business combination with an issuer that is a public issuer in British Columbia means that you will also become a public issuer upon completion of the transaction.

Filing a notice of intention

ACT 4B1 RULES 4B7 An issuer that is subject to continuous disclosure requirements in another Canadian jurisdiction can become a public issuer by filing a notice stating that it intends to become a public issuer and the date on which it will begin complying with the relevant requirements of British Columbia securities legislation. In this case, there is no acceptance or vetting process; the notice is effective when filed.

Being designated by the Commission

ACT 11C3 If the Commission believes it is in the public interest, it may designate a person or a class of persons to be public issuers.

2. Due Diligence Providers

The requirement

ACT 1A1 15A1(d) RULES 4B5 You must retain a *due diligence provider* for your initial AIF, whether or not you are completing a transaction. A due diligence provider can be a registered dealer or adviser or other competent third party. The due diligence provider is required to conduct a reasonable investigation of the issuer's business, affairs and securities and give a written opinion to the issuer that there are reasonable grounds to believe that the initial AIF contains all material information about the issuer.

A due diligence provider is subject to civil liability for misrepresentations in the issuer's initial AIF — see Part VI of this Guide.

A due diligence provider is not required for subsequent offerings.

Non-dealer/adviser due diligence providers

RULES 4B6 There are no prescribed proficiency or experience requirements for due diligence providers that are not registered dealers or advisers. This is a new concept so we will develop these criteria over time as we see how industry responds to this regulatory option. Those interested in acting as due diligence providers who are not registered dealers or advisers should apply to the Commission for acceptance as a due diligence provider. The application can be in connection with a specific issuer or offering or can be unlimited. We expect that, at a minimum, the following factors will be relevant to an applicant's acceptance as a due diligence provider:

- The applicant's knowledge, skills and experience relevant to the business of the issuer or class of issuers that the applicant intends to review
- The applicant's professional qualifications or equivalent proficiencies
- The tools and systems the applicant intends to use in its analysis
- The applicant's criteria for ensuring its independence from the issuer

3. Offerings After the IPO

No prospectus required

ACT 5B1 Once an issuer becomes a public issuer, it can sell its securities in the British Columbia public markets at any time. There is no requirement to file a prospectus. This is because, under the continuous disclosure requirements (see Part II of this Guide), all material information about all public issuers is available to the market at all times. Therefore, if the issuer is in compliance with its continuous disclosure obligations, there is no new material information about the issuer to be disclosed at the time of the offering.

News release

ACT 1A1 5B1 However, it is likely that you will have to file a news release. Under the continuous disclosure requirements, a public issuer must issue and file a news release whenever new *material information* about the issuer becomes available.

It is up to you to decide whether the offering is material. However, in almost all circumstances, a general offering of securities, and most private placements and non-public offerings, are likely to be material. In addition to the fact of the offering, these are the items that are likely to be material in connection with an offering (and therefore would be covered in the news release):

- The terms of the offering (for example, the number of securities being offered, the price, whether there is a minimum or maximum offering and the duration of the offering)
- The features of the securities
- How you intend to use the proceeds of the offering
- Whether there is an underwriter or due diligence provider and, if so, the significant features of your agreement with the underwriter or due diligence provider

Completion or abandonment of an offering is also likely to be material information, which would require another news release.

Offering documents

Offering documents are optional. There is no prescribed form, so if you choose to use one, you can present information about the offering in a form that best suits the market for your securities.

ACT 1A1 15A1 However, you must ensure that the information in an offering document is balanced and not misleading. If the document contains a *misrepresentation*, the issuer and its *directors* and *officers* will be subject to enforcement action and, along with any underwriter or due diligence provider, to civil liability. This means that if new material information about the issuer arises during an offering that makes statements in the offering document misleading, you will have to consider how to communicate the new information to investors who are relying on the offering document.

The offering document is not the place to disclose material information for the first time. As described under Part II Section B of this Guide, new material information must be disclosed by issuing and filing a news release. The disclosure in an offering document should all be based on information that is already in your *continuous disclosure record*.

RULES 4E1 Any offering document you use in connection with an offering must be filed, and becomes part of your continuous disclosure record. There will normally not be any review of that document by Commission staff at the time of filing, but it may be reviewed later as part of a continuous disclosure compliance review.

RULES 4B4 5E3 As is the case with an AIF, there is no requirement to deliver an offering document to investors, although you must deliver one to any investor who asks.

4. Offerings in Other Jurisdictions

RULES 4B3 If you want to make an initial public offering in British Columbia and one or more other Canadian jurisdictions where you are required to file a prospectus, you can file your prospectus here instead of an initial AIF.

For IPOs or subsequent offerings, you may choose British Columbia as your principal filing jurisdiction and we will apply normal prospectus review procedures.

Similarly, if you wish to file a prospectus for an offering in the United States under the Multijurisdictional Disclosure System, you may choose British Columbia as your principal filing jurisdiction.

B. Private Placements

ACT 3A1 A private placement is an offering done without a dealer involved. Normally, trades in securities can only be done through a dealer who is registered under the Act. However, there is an exemption from this registration requirement that allows issuers to do offerings without a dealer.

RULES 1A1 3F7-3F12 There are exemptions for five types of private placements:

- Offerings to those with a close connection to the issuer (called exempt purchasers)
- Rights offerings
- Offerings to those who are sophisticated or who can bear the risk of loss, called *accredited investors*
- Offerings made using an offering memorandum
- Offerings made under the *Employee Investment Act*

Issuers who sell their securities using only these exemptions are called *restricted issuers,* but *public issuers* can use them as well. There is a right of action for damages available to purchasers under exemptions in certain instances where a provision of the Act or Rules is contravened. This right is discussed under Part VI of this Guide.

1. Private Placements to Exempt Purchasers

The exemption

RULES 3F9 Like all of the private placement exemptions, the exemption for sales to exempt purchasers means that you can sell securities without the involvement of a dealer. This exemption also has no specified disclosure requirements (although you are still subject to the general requirements described under Part IV of this Guide).

Exempt purchasers are those who, at the time they invest, have a close relationship with the issuer, or someone associated with the issuer. The exemption is based on the existence of genuine relationships in which mutual trust and respect are sufficiently strong to offer the investor enough protection that he or she does not need the protection offered by a registrant.

RULES 3F9 (a)-(e) The list of exempt purchasers includes:

- directors and officers of the issuer and their family members, close personal friends and close business associates
- the issuer's employees and consultants and their *spouses*

Family members, close personal friends, and close business associates

ACT 1A1 A *family member* is a *spouse*, parent, grandparent, sibling, child or grandchild.

A person's close personal friends are people who know the person well enough, and long enough, to assess the person's trustworthiness and capability. Individuals are not close personal friends just because they:

- belong to the same organization, association, religious group or other community,
- are clients or former clients, or
- are friends of friends.

A person's close business associates are people who know the person well enough, and long enough, through business dealings and observation, to assess their trustworthiness and capability. Individuals are not close business associates just because they:

- work for the same employer,
- have been introduced so they can be persuaded to purchase securities,
- are clients or former clients, or
- are business associates of business associates.

Large numbers of trades to purported close personal friends and close business associates may trigger a review by Commission staff to verify that all purchasers in fact meet the criteria described above. Advertising for investors in these categories is a strong indication that the criteria are not present.

Employees and consultants

RULES 3F1 A person is not a *consultant* unless they are working under a written contract and are spending significant amounts of time on the issuer's business. In making trades to employees and consultants, you have to make sure that the circumstances surrounding the trade would not be an unfair practice (see Part VI of this Guide). For example, tying a person's employment or engagement with the issuer to their agreeing to purchase securities could constitute an unfair practice.

2. Rights Offerings

RULES 3F7 Like all of the private placement exemptions, the exemption for sales to an issuer's existing securityholders means that you can sell securities — for example, through a rights offering — without the involvement of a dealer. This exemption also has no specified disclosure requirements (although you are still subject to the general requirements described under Part IV of this Guide).

A restricted issuer may not use this exemption to sell to investors who have no real relationship with the issuer because they previously bought securities under an

offering memorandum or acquired them by happenstance, such as through an inheritance. Under these circumstances, a restricted issuer could make a rights offering under the offering memorandum exemption.

3. Private Placements to Accredited Investors

RULES 3F10

Like all of the private placement exemptions, the exemption for sales to accredited investors means that you can sell securities without the involvement of a dealer. This exemption also has no specified disclosure requirements (although you are still subject to the general requirements described under Part IV of this Guide).

RULES 1A1

This exemption allows you to sell securities to accredited investors — those who, at the time they invest, are sophisticated or can bear the risk of loss. The list of *accredited investors* includes:

- institutional investors
- registered dealers and advisers
- wealthy individuals (those holding cash and securities worth more than $1 million, or with a family income over $300,000 annually)
- companies, partnerships and trusts with net assets over $5 million
- those designated by the Commission as accredited investors

A person can apply to be accredited in all circumstances, or for a specific transaction. These are the factors that the Commission will consider in deciding whether or not to designate a person as an accredited investor:

- The person's financial sophistication or ability to withstand financial loss, or both
- The person's relationship with the issuer and its management
- The person's ability to bargain on an equal footing with the issuer

4. Private Placements Under the Offering Memorandum Exemption

RULES 3F11

Like all of the private placement exemptions, the exemption for sales under an offering memorandum means that you can sell securities without the involvement of a dealer. However, unlike the three exemptions just discussed, this exemption requires you to prepare an offering memorandum in the required form.

These are the main conditions you must meet to use this exemption:

- You must prepare an offering memorandum in the required form. (Appendix B contains the offering memorandum form and related Guidelines.)
- You must deliver the offering memorandum to each investor.
- You must obtain a signed risk acknowledgement in the required form from each investor (see Appendices C-1 and C-2).
- You must file the offering memorandum with the Commission within 10 days of delivering it to the first investor; if you are a public issuer, it will become part of your continuous disclosure record.

You are also subject to the general requirements described under Part IV of this Guide.

Investors in securities of a restricted issuer under an offering memorandum have two unique rights.

ACT 15A2 Each investor has two days in which to cancel the purchase; you have to hold their money in trust for those two days.

How you hold investors' money for the two day cancellation period is up to you; common methods are to simply hold the cheque uncashed for that period, or to deposit the funds to a segregated account. However, whether you hold the funds directly or through an intermediary, it is still your responsibility to make sure the purchaser's funds are returned if he or she cancels the investment. To cancel the purchase, an investor must deliver a notice to you by midnight on the second business day after signing the agreement.

ACT 15A3 In addition to this cancellation right, a purchaser of securities of a restricted issuer has a right to rescind (cancel) the purchase agreement within 180 days if the offering memorandum contains a misrepresentation. This "rescission" right is available regardless of whether the purchaser was relying on the misrepresentation when deciding whether to purchase the securities. If a purchaser sues for rescission, he or she cannot also claim damages.

All investors of securities under an offering memorandum have the right of action for damages discussed in Part VI of this Guide.

5. Offerings Under the *Employee Investment Act*

RULES 3F12 Like all of the private placement exemptions, the exemption for sales under the *Employee Investment Act* means that you can sell securities without the involvement of a dealer. This exemption also has no specified disclosure requirements (although you are still subject to the general requirements described under Part IV of this Guide).

This exemption allows an employee venture capital corporation registered under the *Employee Investment Act* to sell securities to an employee of an eligible business or an affiliate of an eligible business. Employee venture capital corporation, eligible business and venture capital plan are all terms that are defined in the *Employee Investment Act*.

6. General Requirements for Using the Exemptions

You are responsible for making sure that the conditions for using an exemption are met. For exemptions that are based on attributes of the investor, you may rely on investors' claims that they possess the required attributes, so long as you have no reasonable grounds to believe that the claims are false. It is a good idea to document the fact that you have met the conditions for using an exemption — these records could be useful if your reliance on an exemption is ever called into question.

Acting on behalf of an issuer

ACT 1A1 The Act defines *trade* to include "any act in furtherance" of a trade, which includes advertisements, solicitations and negotiations. Anyone who acts on your behalf in connection with an offering is therefore trading, but they can rely on the same exemption you have.

Other aspects of the Act still apply

The exemptions are only from the trading requirement, not from the operation of the Act generally. Therefore, if your securities have been cease traded, you cannot sell securities using the exemptions. Similarly, no one whose trading rights are restricted through registration conditions or a Commission order can trade using the exemptions.

Resale restrictions

There are no resale restrictions on the securities of public issuers.

RULES 3F24 Securityholders of restricted issuers can only sell their securities to a limited group of existing investors in the restricted issuer. If you are a restricted issuer, you must not accept a transfer of your securities to a person who is not in this group.

Report of exempt trade

RULES 4D1 A restricted issuer who trades securities under the accredited investor, offering memorandum, and certain other exemptions must file a report within 30 days of the end of its financial year setting out the number and value of the securities it issued under each exemption during the year. Public issuers must file a more comprehensive report. See Part II Section A of this Guide.

7. Offerings in Other Jurisdictions

RULES 3F23 If you sell securities to a person in another jurisdiction, the laws of both British Columbia and the other jurisdiction generally apply. In almost all cases, British Columbia will have a registration exemption that corresponds to the registration exemptions elsewhere in Canada. (In any event, if the trade takes place in both jurisdictions and the trade is exempt under the laws of the other jurisdiction, it is also exempt in British Columbia.) There are no prospectus exemptions in British Columbia, because British Columbia has no prospectus requirement, so no exemption is necessary.

II. Continuous Disclosure Requirements

ACT 1A1 A public issuer's continuous disclosure record must contain all *material information* about its business and affairs at all times. There are two types of continuous disclosure used to keep the continuous disclosure record up to date: periodic disclosure and timely disclosure.

Periodic disclosure requires the issuer to file documents at regular intervals, such as: AIFs, quarterly and annual financial statements, quarterly and annual management's discussion and analysis (MD&A), and proxy materials.

Timely disclosure refers to the public dissemination from time to time of material information — information that could reasonably be expected to affect the value or market price of any or all of the issuer's securities.

An issuer's continuous disclosure record will include all its periodic disclosure and timely disclosure, as well as any other documents, such as offering documents, that it is required to file.

The continuous disclosure requirements in British Columbia generally follow those required under National Instrument 51-102 *Continuous Disclosure Obligations*, although that instrument contains several requirements that do not apply in British Columbia. We explain these and other differences between NI 51-102 and the British Columbia requirements below.

A. Periodic Disclosure

1. Annual Information Form

RULES 5A1 5A2 All public issuers must file an annual information form each year. *Venture issuers* are not exempt from this requirement as they are under NI 51-102.

The form of AIF in British Columbia is also different from that under NI 51-102. The British Columbia form is less prescriptive and uses more guidance. Appendix A contains the AIF form and Guidelines on how to complete it.

Under British Columbia requirements, no offering document is required for offerings after the IPO.

2. Financial Statement Disclosure

Overview of requirements

Accounting principles and auditing standards

RULES 1A1 1C1-1C3 1C7 Financial statements must be prepared in accordance with *Canadian GAAP*, audits and audit reports must follow *Canadian GAAS*, and audit reports must be prepared and signed by those legally authorized in Canada to sign audit reports. Auditors are required to be subject to the oversight of the Canadian Public Accountability Board. Canadian issuers who file under US SEC rules are permitted to follow US GAAP and GAAS, and to use US auditors.

Board approvals and audit committee

RULES 1C5 1C6 All financial statements have to be approved by your board of directors. Every public issuer must have an audit committee. If your corporate legislation permits, your board's approval of interim financial statements may be delegated to the audit committee.

Annual and interim financial statements

RULES 5A4 5A6 If you are a venture issuer, you have to file your annual financial statements within 120 days of your year end, and your interim statements within 60 days of the end of the interim period. (A *venture issuer* is an issuer not listed on specified major marketplaces in Canada or the US, or on any marketplace outside Canada or the US.) If you are not a venture issuer, you have to file your annual and interim financial statements within 90 days and 45 days, respectively.

Disclosure of non-GAAP earnings

Disclosing earnings measured on a basis other than that required by GAAP creates the potential for misleading disclosure. The disclosure is likely to be misleading unless, at a minimum, it states that you used non-GAAP measurements, and it highlights the significant differences between the non-GAAP earnings reported and GAAP earnings for the same period.

If you don't follow practices like the following, your non-GAAP earnings disclosure may be misleading:

- Cautioning readers that the non-GAAP earnings measures may not be comparable to similar measures used by other issuers
- Explaining why you have chosen to disclose earnings on the basis that you have
- Presenting the non-GAAP earnings measures consistently from period to period, or explaining any changes if you do not

3. Management's Discussion and Analysis

A public issuer must provide quarterly and annual MD&A. Venture issuers without significant revenues in their last 2 years also have to provide a breakdown of certain material expenses in their financial statements or MD&A.

The purpose of MD&A is to explain to investors how your company performed during the period covered by the financial statements, along with your company's financial condition and future prospects. MD&A is not part of your financial statements, but is intended to provide an accompanying narrative. Your MD&A must discuss material information that may not be fully reflected in the financial statements. Some examples are legal proceedings, contingent liabilities, defaults under debt, off-balance sheet financing arrangements or other contractual obligations.

An initial AIF must include MD&A, to the extent the information is not disclosed elsewhere in that AIF.

4. Failure to File

ACT 12A2 12D1

Meeting continuous disclosure obligations is a fundamental responsibility of every public issuer, and we take enforcement action against issuers who do not file disclosure as required. Usually, this takes the form of a cease trade order (CTO) against the issuer, which means no one can trade the issuer's securities until the order is lifted.

If the failure to file is foreseeable and will last for a short period, you can apply for a management CTO, which only prohibits specific individuals in management from trading — other investors can trade as usual. We will consider granting a management CTO if:

- your business is operating normally with a functioning slate of directors,
- you are not in contravention of any other securities regulatory requirements in any jurisdiction,
- the financial statements and any related audit reports will be filed within two months or so of the required filing date, and
- your company's securities are listed and actively traded on a Canadian stock exchange.

You can find the details of how to apply on our website at www.bcsc.bc.ca.

5. Pro Forma Financial Statements

The purpose of pro forma financial statements is to show the impact of an acquisition, reorganization, business combination or take over bid on the issuer by adjusting the issuer's historical financial statements to give effect to the transaction. Issuers providing disclosure to investors in connection with a major transaction may want to include pro forma financial statements. These statements will be most useful, and least likely to be misleading, if:

- you prepare the pro formas based on the issuer's financial statements, without any adjustments other than those necessary to reflect the transaction,
- you prepare the pro forma balance sheet as at the date of the issuer's most recent balance sheet, as if the transaction occurred on that date,
- you prepare pro forma income statements for the issuer's last completed financial year, and last completed interim period, as if the transaction occurred at the beginning of the issuer's last completed financial year,
- you fully describe the assumptions on which the pro formas have been prepared and limit the pro forma adjustments to those that can be directly attributed to the transaction, and
- you explain in notes to the statements how you have dealt with any differences in financial year ends or reporting periods among the issuers and businesses participating in the transaction.

6. Proxy Solicitation Materials

NOTE TO READER — British Columbia will have requirements for proxy solicitation and information circulars. It will do so either by adopting NI 51-102 *Continuous Disclosure Obligations*, or by including harmonized versions of those requirements in our rules.

7. Annual Sales Report

RULES 5A11 A public issuer must file a report within 30 days of the end of its financial year that discloses the number and value of all securities it issued during the year. Appendix E contains the required form of report.

B. Timely Disclosure

Our system of securities regulation depends on public issuers making complete, accurate and timely disclosure of material information.

1. The Disclosure Obligation

ACT 1A1 5B1 A *public issuer* must disclose material information as soon as practicable. You make disclosure by issuing and filing a news release. The news release must contain all material information about the matter being disclosed. In addition to the news release, you may file supplemental information if you wish, as long as all the material information is in the news release.

RULES 5B2 If you are subject to the material change reporting requirements elsewhere in Canada, you can file the documents you prepare under those requirements instead of the news release.

2. Meaning of Material Information

Meaning of "material information"

ACT 1A1 *Material information* is information relating to the business, operations or securities of an issuer that would reasonably be expected to significantly affect the value or market price of any or all of the issuer's securities. The materiality of information varies from one issuer to another according to the issuer's assets, earnings and capitalization, the nature of the issuer's operations and many other factors.

Examples of information that may be material include:

- reorganizations, business acquisitions, *business combinations*, and take over bids
- important acquisitions or dispositions of properties, securities or other assets
- offering securities and the completion or abandonment of the offering
- redeeming securities
- the development of new products or business lines
- winning or losing significant contracts

- significant changes in your business plan

Lists like this are not exhaustive and do not substitute for your exercising your own judgment.

Business acquisitions and combinations

An issuer involved in an acquisition or business combination that is material information must disclose sufficient information to enable an investor to appreciate the impact of the acquisition on the issuer and its business. In some cases, disclosing the financial statements of the acquired business may be the most meaningful way to disclose material information about the acquisition. An example is where an issuer buys a business on the basis of its good performance record and does not plan to make any major changes in the way the business is carried on.

External events

The obligation to disclose material information would generally not require you to interpret the impact of external political, economic and social developments on your business, operations and securities unless the impact is material and affects you differently than other issuers engaged in the same business.

Compliance with the requirements of other Canadian jurisdictions

RULES 5B2 Other jurisdictions base their disclosure requirements on the concepts of "material fact" and "material change". Our material information standard results, as a practical matter, in the disclosure of the same information as would be disclosed under those regimes. Therefore, if you make disclosure based on the timely disclosure requirements of other Canadian jurisdictions, you will meet the standard of disclosure expected in British Columbia.

3. Timing of Disclosure

Issuers must disclose material information as soon as practicable. This is intended to give the issuer's management time to review the information so that it can become reasonably comfortable with its accuracy and put it into context prior to disclosing the information. We call this establishing the material information.

RULES 5B1 Under the timely disclosure rules, an issuer may defer making disclosure in three circumstances:

- While it is establishing the information
- If it is uncertain whether a material event will occur
- When it would be unduly detrimental to the interests of the issuer to make disclosure

Establishing material information

For example, when an issuer is conducting a drilling program and is receiving results as the program proceeds, the issuer need not release the results piece-meal as it receives them. Management should review the results for reasonableness and

consider them in the context of known exploration information, before making disclosure.

Uncertainty

When it is uncertain whether an event will happen, management must consider both the likelihood that it will, and the anticipated impact of the event on the value or market price of the issuer's securities if it were to happen, to decide whether the materiality threshold has been crossed, and if so, when.

For example, if an issuer begins merger discussions and it is reasonable to expect that the merger would significantly affect the value or market price of the issuer's securities, we expect that management would defer any announcement at least until negotiations had reached the point where there was a real likelihood that the merger might happen, to prevent undue speculation in the issuer's securities and any negative impact on the transaction. Once certainty increases to the point where management believes the information is material, the information must be disclosed, subject to management's deciding to make a confidential filing as described in the next section.

Undue detriment

Sometimes it can be counterproductive to publicly disclose material information. For example, if an issuer technically defaulted on a material loan but there was little doubt that the lender would waive the default, disclosure of the lender's entitlement to call the loan could lead to an unwarranted loss of confidence in the issuer.

RULES 5B1(2) Therefore, the legislation provides that if, in the issuer's reasonable opinion, disclosure of material information would be unduly detrimental to the issuer's interests, the issuer can fulfill its timely disclosure obligations by filing a confidential report with the Commission detailing the material information and the reasons why disclosure at that time would be unduly detrimental. A good way to detail the material information would be simply to prepare the text of a press release that you would have prepared had you not opted to file confidentially.

Once the reason for deferring disclosure of material information has ended, if the information is still material information, the issuer must disclose it. In no event can disclosure of material information about a public issuer be permanently deferred.

If at any point in the confidential filing process Commission staff believes that the public interest in disclosing the material information outweighs the issuer's interest in keeping it confidential, staff may issue a cease trade order against the issuer until the disclosure is made.

Sometimes circumstances change and the information disclosed under the confidential filing process becomes moot or otherwise immaterial. In that case, no disclosure is required.

Rumours

ACT 1A1 You need not respond to rumours unless the issuer or its management is perceived by the market as the source of the rumour, or if the rumour involves *inside information* that appears to have leaked.

4. Management's Responsibilities

ACT 5B2 You are expected to exercise reasonable business judgment in determining whether information is material, based on the information available to you at the time you are making the decision. To do that, you need to make reasonable inquiry to find out relevant information.

Issuers are expected to have systems in place for managing disclosure and to monitor those systems for compliance and effectiveness. See Part VI of this Guide.

C. Handling Inside Information

1. Prohibition Against Trading or Disclosing Inside Information

ACT 10B4 Our system of securities regulation is based on the premise that all investors have equal access to material information. The legislation prohibits a connected person from trading in securities of a public issuer if the person has inside information about the issuer, and from telling anyone else the inside information ("tipping").

ACT 1A1 *Inside information* is undisclosed material information about a public issuer. *Connected persons* include:

- the public issuer's *insiders,* officers and employees
- parties to major transactions with the issuer (and their insiders, officers and employees)
- persons engaged in business with the issuer (and their directors, officers and employees)
- "tippees" — those who acquire inside information from any of these persons, or from any one who they know, or ought reasonably to know, acquired the information from any of these persons

2. "Necessary Course of Business" Exception

ACT 1A1 10B4(3) Tipping by a person is permitted if it is necessary in the course of the issuer's or the person's business. This would generally cover communications with:

- vendors, suppliers or strategic partners
- employees, officers, board members and *significant securityholders*
- lenders, legal counsel, auditors, underwriters and financial and other professional advisers
- parties to negotiations
- labour unions and industry associations
- government agencies and non-governmental regulators
- credit rating agencies

Generally speaking, you cannot use the necessary course of business exception to disclose inside information to:

- investors under a private placement
- analysts, institutional investors or other market professionals
- the media

If you do disclose material information under the necessary course of business exception, you should make sure those receiving the information understand that they cannot pass the information on to anyone else (other than in the necessary course of business), or trade on the information, until it has been generally disclosed.

Getting the person who receives the information to sign a confidentiality agreement can be a good practice and may help to safeguard the confidentiality of the information. However, such an agreement does not replace the need for the disclosure to be in the necessary course of business.

3. Areas of Risk

There are some situations in which you are particularly vulnerable to making "selective disclosure" — disclosure of inside information to one person or a small group of persons.

Private briefings with analysts, institutional investors and other market professionals

Financial information such as sales and profit figures is often material information, and therefore you should not disclose it to analysts, institutional investors and other market professionals until it is generally disclosed. Earnings forecasts are in the same category. Even within these constraints there is plenty of scope to hold a useful dialogue about the issuer's current business and prospects.

An effective way to disclose this kind of information generally is to include it in your MD&A (see Part II Section A of this Guide).

Partial disclosures

You cannot make material information immaterial simply by breaking the information into seemingly non-material pieces. At the same time, disclosure of non-material information to analysts is not prohibited, even if this information, when combined with information the analyst has from other sources, helps the analyst complete a "mosaic" of information that, taken together, is inside information.

Analyst reports

It is not unusual for analysts to ask the issuer to review earnings estimates that they are preparing, but it is easy to contravene the tipping prohibition if you confirm the estimate or indicate that it is too high or too low.

Even confirming to an analyst information previously made public could contravene the tipping prohibition if a long time has passed since the original disclosure. For example, if you disclosed expected earnings for a quarter near the beginning of the quarter, confirming them privately to the analyst near the end of the quarter may be tipping because it is likely that the confirmation is based on actual performance that has not been generally disclosed.

Distributing an analyst's report to people outside the issuer can be construed as a statement by the issuer that the contents of the report are true. If you wish to distribute analyst reports, the safer practice is to post all analyst reports on the issuer on your website with an appropriate disclaimer.

Analysts, institutional investors and other market professionals who do receive inside information from a company are tippees. Since the risk of receiving inside information is common for these persons, it makes sense for them to have procedures to help them identify situations where they may have received inside information and set up guidelines for dealing with them.

4. Practices to Consider

There are some practices that issuers can adopt to manage disclosure effectively. The practices listed here are fairly comprehensive, and not all of them would make sense for every issuer. Each issuer will have to decide which ones, if any, to adopt, and implement them to suit their own circumstances.

Corporate disclosure policy

A written corporate disclosure policy gives you a process for disclosure and promotes an understanding of legal requirements among your directors, officers and employees. The process of creating it is itself a benefit, because it forces a critical examination of your current disclosure practices.

Your policy should be practical to implement, simple enough to be easily understood by those it applies to, and reviewed periodically. It should promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market. Items to consider including in the policy are:

- determining materiality
- earnings announcements and related analyst calls and meetings
- contact with analysts, institutional investors, other market professionals and the media
- website policy
- forward-looking information
- dealing with rumours and unintentional selective disclosures
- trading restrictions and quiet periods

Coordination

If your policy is to be effective, you likely have to assign someone at a senior level to be responsible for developing and implementing your disclosure policy, monitoring its effectiveness and ensuring it is followed.

Board and audit committee reviews

Having your board or audit committee review disclosures of earnings guidance and other information based on financial statements as yet undisclosed will improve their quality. Issuing your earnings news release concurrently with the filing of your quarterly or annual financial statements provides a more complete financial picture to the market.

Limited spokespersons

Limiting the number of people who are authorized to speak on behalf of the issuer helps to reduce the risk of unauthorized disclosures and statements that are inconsistent with your continuous disclosure record or things other representatives of the issuer have said.

Quiet periods and insider trading blackout periods

Observing a quarterly quiet period, during which no earnings guidance is issued or comments about the current quarter's operations or expected results are made, is a good practice for avoiding selective disclosure problems. The period would end on the release of the quarterly earnings announcement and can begin as early as the end of the related quarter. You may also choose to prohibit trading by your insiders, officers and employees during the quiet period as part of a policy that monitors the trading activity of your insiders and ensures they know they cannot trade when they have inside information.

Chat rooms, bulletin boards and e-mails

Avoiding these forums will help protect your company from the liability that could arise from the well-intentioned efforts of employees to correct rumours or defend the company. If your website allows viewers to send you e-mail messages, remember the risk of selective disclosure when responding.

D. Advertising

RULES 5G1 An issuer is free to advertise in British Columbia so long as the advertisement:

- is identified as an advertisement,
- states whether the issuer is unlisted or if trading in its securities is restricted, and
- directs the public to the issuer's continuous disclosure record, if applicable, and any current offering document.

1. Avoiding Misrepresentations

ACT 1A1 To avoid misleading disclosure, you should avoid partial disclosure. For example, if the advertisement mentions a benefit but not the conditions and risks attached

to that benefit, a reasonable investor could infer there are none. If the matter was material, this would be a *misrepresentation*.

Another example where care is required is use of words like "preferred", "guaranteed", "liquid" and "indemnity", which have specific meanings and should not be used if those meanings do not apply in the circumstances.

2. Advertising in Other Canadian Jurisdictions

The rules in other Canadian jurisdictions are more restrictive. For example, in other Canadian jurisdictions no one is allowed to advertise over radio or television except during a distribution of securities under a receipted prospectus, and special rules apply.

You should be aware of the relevant policies elsewhere in Canada, including Interim National Policy 42 *Advertising of Securities on Radio or Television* and National Policy 47-201 *Trading Securities Using the Internet and Other Electronic Means*.

E. Insider Reporting Requirements

ACT 1A1 1B2 5C2 5C3 The *insiders* of a public issuer must report all trades in securities of the public issuer within 10 days of the trade. They must report trades of all securities that they own or have control over. Insiders include *directors* and *senior officers* of the public issuer, and directors and *officers* of the public issuer's *affiliates* who have access to *inside information* about the public issuer.

RULES 5C2 The trades that must be reported include derivative-based arrangements that allow you to capture the economic benefit of your securities without actually trading them, known as "equity monetizations".

1. Senior Officers

A *senior officer* is any officer of the public issuer whose usual responsibilities routinely provide the officer with access to inside information about the public issuer. (An *officer* is anyone who works in an executive capacity.)

2. List of insiders

RULES 5C3 A public issuer must prepare a list of its insiders and file a copy of that list with the Commission as soon as practicable after it becomes a public issuer and after any time there is a change to the list. For instructions on how to do this, visit the Corporate Finance section of the Commission's website at www.bcsc.bc.ca.

3. Reporting Exemption

RULES 5C1 5C2(5) If your holdings change due to a stock dividend, stock split, consolidation, amalgamation, reorganization or merger, you may wait to report the change until the next time you report any other change in your holdings.

4. Form to Use

Insiders must file their reports on Form 55-102F6, although an insider may continue to use a customized form prepared by an issuer, provided the form contains the information, and uses the codes, in Form 55-102F6 and is labeled "Form 55-102F6".

F. Disclosure Requirements for Significant Securityholders

ACT 1A1 Although *significant securityholders* are no longer classified as insiders, the Act still requires that these investors report their trading activity. Significant securityholders are defined as those able to materially affect control of an issuer and those holding 10% or more of the issuer's voting securities.

ACT 5D1 5D2 RULES 5D2 Significant securityholders must disclose their trading activity on the same basis as insiders do — within 10 days of becoming a significant securityholder, and then within 10 days of every subsequent trade. The legislation also requires that significant securityholders disclose their trading using the form used by insiders.

If a person is both an insider (for example, a director) and a significant securityholder of an issuer, the person need file only under the insider reporting provisions.

RULES 5D1 5D3 Significant securityholders who are *eligible institutional investors* (these include financial institutions, pension funds, mutual funds, and portfolio managers) must report their holdings within 10 days of the end of the month only if their month end balance is 10% or more and that balance is different from the previous month end. Eligible institutional investors also have "aggregation relief" under the Rules — they may treat securities they hold through different business units separately for reporting purposes.

In addition:

- As in the insider reporting context, where a change in holdings results from a stock dividend, stock split, consolidation, amalgamation, reorganization, merger, or other similar transaction, the significant securityholder need not report that change until the next time it discloses a "reportable" trade.
- No disclosure is required where shares are held by an underwriter during an underwriting.

III. Exemptions for Corporate Transactions

An issuer can carry out the following transactions without the involvement of a dealer:

A. Reorganizations, Take Over Bids and Business Combinations

RULES 3F13 An issuer can transfer securities to effect a reorganization of an issuer, a take over bid or a ***business combination***. The relationship of a securityholder to one of the issuers involved in the transaction, and the fact that disclosure about the transaction is available, means these securityholders don't need the protection of a registrant. A reorganization includes court-ordered arrangements under corporate law, bankruptcy law, or other acts affecting the rights between entities, securityholders and creditors.

A business combination means an amalgamation, arrangement, merger or other transaction under which two issuers combine, or one acquires the other.

B. Dividends in Kind

RULES 3F7 An issuer can issue dividends consisting of its own securities using the exemption for trades by an issuer to its existing securityholders.

RULES 3F14 An issuer can transfer securities of another public issuer to an existing security holder as a dividend in kind. This exemption is limited to securities of public issuers who comply with the continuous disclosure requirements so there is information in the marketplace about the issuer.

C. Direct Purchase Plans

RULES 3F15 A public issuer can sell its securities to investors under a direct purchase plan, subject to certain conditions, including that only 2% of the issuer's securities can be issued in any one year under the plan. These plans are designed primarily for regularly scheduled investments in securities of an issuer, usually in small amounts. They operate in a manner similar to a dividend reinvestment plan except that investors are not required to own a qualifying share.

This exemption is also limited to public issuers who comply with the continuous disclosure requirements for the reasons set out in the previous section.

IV. Market Participant Conduct

ACT 1A1 Because the Commission's responsibilities include protecting the integrity of the capital market and the confidence of investors, the legislation imposes duties on *market participants* (which include issuers) and prohibits certain conduct. It is important that issuers are aware of these provisions because if one is contravened, the issuer and its management may be subject to regulatory or criminal sanctions. Contraventions of the legislation can also give rise to actions for civil liability (see Part VI of this Guide).

Any activity in furtherance of a trade is included in the definition of trade which means that advertising, solicitation, negotiations and any other activity to encourage trading of your securities is also caught. The Draft Legislation does not include the provisions in the current legislation tied to "investor relations activities" because the sort of conduct that those provisions were intended to deal with are covered under the provisions described here.

General duties

ACT 1A1 10A1 *Directors* and *officers* of an issuer must act honestly and in good faith with a view to the best interests of the issuer, and exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances. This requires management to properly manage the business and affairs of an issuer and applies to all issuers, not just corporations. Management of most issuers will already be subject to this duty under corporate legislation or at common law in their capacity as fiduciaries.

Duty for record keeping

RULES 10A1 All market participants must keep books and records necessary to record business transactions and financial affairs and to record transactions executed on behalf of others and to keep the records required under the Act and the Rules.

Misrepresentations

ACT 1A1 10B1 *Misrepresentations* are prohibited. In the public issuer context, there are two common situations where this prohibition is relevant. One is the disclosure of information to investors. In this context, a misrepresentation is an untrue statement of *material information* or the omission of material information that is required to be stated or necessary to prevent a statement from being false or misleading in the circumstances. The meaning of material information and circumstances where it must be disclosed are included in this Guide under Part II, Section B.

The second situation is the relationship between a person engaged in promotional activities on behalf of an issuer and an investor. In this context, a misrepresentation is untrue information or the omission of information about something that a reasonable investor would consider important in making a decision to buy or sell a security.

Manipulation and fraud

ACT 10B2 Any conduct relating to trading in a security that results in manipulation or fraud is prohibited.

Unfair practices

ACT 10B3 A person must not engage in an *unfair practice*. This means that high-pressure sales tactics, taking advantage of an investor's physical or mental infirmity, ignorance, illiteracy or lack of sophistication and imposing unduly harsh terms or conditions on a sale is not permitted.

Insider trading and tipping

ACT 1A1 10B4 A *connected person* must not trade securities of a public issuer if the person has *inside information*. A connected person also must not tell anyone else the inside information. These prohibitions are discussed in this Guide under Part II Section C.

False or misleading statements to commission

ACT 10C1 You must not make or give false or misleading statements or information to the Commission or Commission staff. This includes any verbal or written statements or information provided in the course of dealings with Commission staff on a filing or application. It also includes documents filed, whether because they are required or voluntarily.

Obstruction of justice

ACT 10C2 A person must not destroy, conceal or refuse to give any information or produce a document needed for a hearing, compliance review, investigation, or seizure of property or securities.

Contraventions attributable to others

ACT 16C2 If an issuer contravenes the legislation or a Commission decision, any employee, officer, director, agent or significant securityholder of the issuer who authorized, permitted or acquiesced in the contravention is also considered to have committed the same contravention.

V. General Requirements for Issuers

A. Duty to Use Plain Language

RULES 10A2 All filings with the Commission must be prepared in plain language. The Guidelines for completing an AIF (see Appendix A) provide details on this requirement.

B. Delivery of Documents

RULES 5E3 In British Columbia there is no mandated delivery of continuous disclosure documents except information circulars. However, if a securityholder requests a copy of any continuous disclosure document, the issuer must deliver it promptly to the securityholder at no charge. Public issuers must also disclose in their AIFs or information circulars that copies of their continuous disclosure documents are available on request and how to obtain them.

C. Additional Filing Requirements

RULES 5E2 If a public issuer sends a document to its securityholders or files a document with a marketplace or a government or agency, that contains material information not already filed with the Commission, it must file the document with the Commission.

D. Personal Information Forms

RULES 5E1 A listed public issuer must file with the Commission copies of all personal information forms (PIFs) that it files with its exchange. Other public issuers must file a form containing the same information at the time of becoming a public issuer and every time there is a change of directors or officers.

VI. Investor Remedies

A. Liability

The legislation provides a statutory right of action against anyone who commits a material contravention of the legislation if the plaintiff suffers damage as a result. In most circumstances involving public issuers, restricted issuers or their securityholders, the contravention must be reasonably likely to significantly affect the value or market price of the issuer's securities. This means that investors can sue, for example, if material information is not disclosed as required under the legislation or if the financial statements of an issuer are not accurate in some material respect.

In addition to the issuer itself and its directors, defendants can include any officer who was involved in the contravention, an expert whose report contained a misrepresentation or an underwriter or due diligence provider for the issuer.

ACT 15A1(5) Not all investors may sue. Only those who traded securities during the period when the contravention was occurring and who suffered damage can sue.

B. Defences

Besides any defences available at common law, there are defences in the Act for issuers and their directors and officers.

ACT 15B2 15B3 An issuer and its directors have a defence if the issuer had a reasonable system in place to avoid contraventions and a reasonable process for monitoring compliance with that system.

There is also a due diligence defence available to all defendants. To claim this defence, defendants have to show they conducted a reasonable investigation and had no reasonable grounds to believe the contravention would occur.

ACT 15B7 Where the action is for misrepresentation or failure to disclosure material information, an issuer, its directors and officers may rely on a confidential filing defence if the procedure described in Part II Section B of this Guide was followed and other conditions were met. This defence is not available where the defendant traded or tipped on inside information.

ACT 5B2 In actions based on an alleged contravention of the timely disclosure requirements, management's decisions will be reviewed on the basis of the business judgment rule: "Did management exercise reasonable business judgment in determining whether the information was material, based on the information available to them at the time the decision was made?"

ACT 15B8 If it appears that the information has leaked or if selective disclosure was unintentionally made, the issuer must issue a press release clarifying the situation within 24 hours. If it does so, neither the issuer nor management will be liable for failure to disclose material information. This defence will not be available to anyone who has engaged in tipping, insider trading, fraud or market manipulation.

ACT 15B6 15B9-15B11 Other defences of interest to issuers include the following:

- The defendant had a reasonable expectation that the document would remain confidential and objected in writing when it was made publicly available.
- The defendant was reasonably relying on disclosures by governments and other issuers.
- Where the action is for a misrepresentation in forward looking information, the required cautions were included and there was a reasonable basis for the information.
- Where the action is for misrepresentation based on an expert's opinion or report, the expert consented to the use of the report and other conditions are met.

C. Protections for Defendants

ACT 15C1 15C2 There are also protections for defendants. Three of the protections are intended to discourage strike suits. They are: court approval to commence an action, court approval of any proposed settlement and the loser pays cost rule.

ACT 15D1 RULES 15D1 The legislation also limits the damages payable by issuers and individual defendants (unless they acted knowingly or were willfully blind). The damages limits do not apply if the court finds the defendant's conduct constituted fraud, market manipulation, or an unfair practice.

VII. Foreign Issuers

ACT 7A1 In British Columbia there are exemptions for *foreign issuers*, their securityholders and those making a take over bid for a foreign issuer.

A. Exempt Foreign Issuers

RULES 7C1 An *exempt foreign issuer* is a public issuer whose *principal market* is outside Canada and who is subject to a *designated jurisdiction* (the US (SEC), UK and Australia). These issuers can use the documents they prepare under those laws to comply with all requirements under Parts 4 and 5 of the legislation. Their securityholders and management, and any person making a take over bid for their securities, are also exempt from British Columbia significant securityholder, insider reporting and take over bid requirements, on the conditions described below.

ACT 7C1 A foreign issuer regulated by a designated jurisdiction (the US (SEC), the UK or Australia) may become a public issuer, and therefore an exempt foreign issuer, by filing a prescribed notice (the form of notice is in Appendix G to this Guide) and filing either:

- the documents it filed under the securities law of the designated jurisdiction in the preceding 12 months, or
- a notice that these documents are available on the Internet and how to access them.

B. Limited Connection Foreign Issuers

RULES 7C3 A *limited connection foreign issuer* is an issuer whose principal market is outside Canada and that has less than 10% of its *equity securities* held by Canadian residents. These issuers can use the documents they prepare under the laws of the jurisdiction of their principal market to satisfy all requirements under Part 5 of the legislation. Again, these issuers' securityholders and management, and any person making a take over bid for their securities, are exempt from British Columbia significant securityholder, insider reporting and take over bid requirements on a similar basis. However, these issuers cannot trade securities of their own issue

RULES 7C4 with residents of British Columbia except under the exempt purchaser, *accredited investor* and offering memorandum exemptions, or in connection with a reorganization, take over bid or *business combination*. Rights offerings are covered by the exemption that allows issuers to trade securities to their existing securityholders.

C. Conditions for Using the Foreign Issuer Exemptions

Foreign issuers who use these exemptions must comply with various requirements, including the following:

- They must apply the laws in the foreign jurisdiction for the benefit of British Columbia securityholders as if those securityholders were residents of the foreign jurisdiction.
- They must send a continuous disclosure document to any British Columbia securityholder who requests it.
- They must file any offering documents sent to British Columbia securityholders.
- They must file a notice on SEDAR in the prescribed form (the form is in Appendix F to this Guide).

Under the legislation, a Canadian-based public issuer may use these exemptions if its principal market is outside Canada. (For these issuers, the principal market is foreign only if the foreign marketplace had more than 60% of the issuer's annual trading volume over each of its past three financial years.)

All foreign public issuers and their *directors* and *officers* are subject to civil liability in British Columbia based on British Columbia rules, like any other public issuer.

There are no exemptions for any foreign issuers that are not described above. These issuers must comply with the legislation or apply for discretionary relief.

D. Accounting Principles and Auditing Standards

RULES 7C1(2), 7C3(2)

Exempt foreign issuers and limited connection foreign issuers do not have to apply Canadian accounting principles, auditing standards or auditor qualification requirements, if they comply with the corresponding requirements of the foreign jurisdiction.

E. Exemptions for Securityholders

RULES 7C1(3), 7C3(3)

Securityholders of exempt foreign issuers and limited connection foreign issuers do not have to comply with British Columbia insider or significant securityholder reporting requirements, if they comply with the corresponding requirements of the foreign jurisdiction.

F. Take Over Bids

RULES 7C1(4), 7C3(4)

A person making a take over bid for an exempt foreign issuer or a limited connection foreign issuer does not have to comply with British Columbia take over bid requirements if it:

- follows the laws of the foreign jurisdiction,
- files the foreign take over bid documents (or, if the documents are on the Internet, a notice explaining how to access them) and, if the bid is a share exchange bid, a required notice (the form of notice is in Appendix F), and
- applies the foreign laws for the benefit of British Columbia investors as if they were residents of the foreign jurisdiction.

G. Sending Documents to Canadian Securityholders

Foreign issuers who wish to communicate with their securityholders should be aware that, in order to reach the beneficial owners of their securities, they will need to pay the fees of intermediaries and depositaries. We refer you to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer.*

H. Language

RULES 7E1 If a document that is filed or sent under a foreign issuer exemption is not in English, it must be accompanied by an English translation.

VIII. Leaving the System

ACT 1A1 5F1 If you have 50 or fewer security holders (both debt and equity), not including current employees, and your securities are not traded through a ***marketplace***, you may surrender your ***public issuer*** status by filing a notice stating these facts. You must also include the date that you will cease to be a public issuer. That date must be at least 10 days after the date you file the notice.

You may file the notice by fax. The fax number is listed in the "Contact" section of the commission's website (www.bcsc.bc.ca).

We will acknowledge receipt of the notice. The acknowledgement is proof that you have filed the notice. If you do not receive an acknowledgement, you should telephone us. The telephone number is also listed in the "Contact" section of our website.

APPENDIX A

FORM 4B2/5A2
Annual Information Form

Date:

If this is your initial AIF, indicate that. Complete all unshaded portions of this form for all your AIFs, including your initial AIF. The shaded portions of this form are relevant only if this is your initial AIF and you are filing it in connection with a transaction.

Include all applicable information listed on this page on the cover page.

_____

(Name of issuer as set out in incorporation or organization documents)

State in bold type:

This is the [initial] AIF of _____ *[insert name of issuer]* **issued in connection with** _____ *[specify initial public offering, reverse take-over or other transaction]* **(the transaction). Information about the issuer is available on the SEDAR website at www.sedar.com.**

Name of underwriter or other due diligence provider(s):

Include the following statements in bold type:

There are risks associated with investing in the issuer. See page • .

If the issuer's continuous disclosure record, when taken as a whole, contains a misrepresentation, investors have the right to sue for damages. See page • .

No securities regulatory authority is recommending these securities or has determined that this document is accurate or adequate. Any representation to the contrary is an offence under Canadian securities legislation.

Part 1 The business

1.1 The business

Describe the issuer's business, including its products or services, operations, marketing plan, competitive position and objectives.

1.2 Our history and development

(1) Describe how the issuer's business has developed generally over the last three financial years and any subsequent period and disclose the major events and conditions that affected that development.

(2) Discuss any changes in the issuer's business that you expect will occur during the current financial year.

1.3 Other material information about the business

Disclose any other material information about the issuer's business that you have not disclosed elsewhere in this Part.

Part 2 Risk factors

2.1 Risk factors

Describe in order of importance the risk factors that are material to the issuer.

Part 3 Management and others involved with the issuer

3.1 Our management

Provide a resume for each of the issuer's directors and senior officers.

3.2 Board committees

Disclose the board committees of the issuer and the members and mandate of each committee.

3.3 Arrangements with senior management and key persons

Describe any arrangements intended to ensure that the issuer's senior officers, directors who are also officers and any key persons will remain with the issuer for a period of time and will not compete with the issuer if they leave.

3.4 Interest of management and others

Describe, for each director, senior officer and significant securityholder of the issuer or its subsidiaries, any party to a management services contract with the issuer or its subsidiaries, and any of their associates or affiliates:

(a) any existing or potential conflicts of interest with the issuer or any of its subsidiaries, and

(b) any interest in any transaction involving the issuer or any of its subsidiaries within the last three financial years.

3.5 Legal, administrative and bankruptcy proceedings

Disclose the following for each of the issuer's directors, senior officers and, if this is the issuer's initial AIF, significant securityholders, and for any issuer that they were a director, senior officer or significant securityholder of at the time:

(a) the circumstances and outcome of any court, securities regulatory, financial regulatory, or bankruptcy or similar proceedings, within the last 10 years,

(b) any cease trade or similar order issued within the last 10 years, and

(c) any pending securities or financial regulatory proceedings.

3.6 Compensation

(1) Using the following table, disclose the compensation that the issuer paid in the last financial year to:

(a) its chief executive officer, chief financial officer and chief operating officer, individually (specifying name and municipality of residence),

(b) its other senior officers as a group,

(c) its non-officer directors, as a group, and

(d) each of its significant securityholders, individually (specifying name and municipality of residence).

Include compensation paid by any subsidiaries of the issuer, or that was paid to a party other than an individual above, for the individual's services.

	Cash compensation (if not salary or bonus, specify)	**Non-cash compensation**
Chief executive officer (name and municipality of residence)	Salary $_____ Bonus $_____ Other $_____	
Chief financial officer (name and municipality of residence)	Salary $_____ Bonus $_____ Other $_____	
Chief operating officer (name and municipality of residence)	Salary $_____ Bonus $_____ Other $_____	
Other senior officers (as a group)	Salary $_____ Bonus $_____ Other $_____	
Non-officer directors (as a group)	$_____	
Significant securityholders (for each, name and municipality of residence)	$_____	

(2) Disclose in notes to the table:

(a) for other senior officers and non-officer directors, how many persons are in each group and the name and title of each person, and

(b) for each of the chief executive, chief financial and chief operating officers, the percentage received of the total stock options, SARs or other securities-based compensation granted by the issuer to all of its employees and directors.

(3) For each of the chief executive officer, the chief financial officer and the chief operating officer, explain the relationship between the compensation paid in the last financial year and each of the following aspects of the issuer's performance:

(a) performance against specified targets and goals, both short and long-term,

(b) achievements outside the strategic plan,

(c) earnings or cash flow (use the most relevant measure for the issuer's sector),

(d) stock price performance relative to the issuer's sector, and

(e) any other factor related to the amount of executive compensation.

If a particular factor has no bearing on the compensation paid, state this and explain why. For factor (a), you may exclude details that would adversely affect the issuer's competitive position.

(4) For each of the chief executive, chief operating and chief financial officers, describe:

(a) the approval process for compensation, including the role of the board,

(b) any long-term incentive compensation,

(c) any compensation payable on termination of employment or change of control,

(d) any compensation payable based on completion of a specified period of employment, and

(e) the formula for determining pension plan benefits and the estimated pension that would be payable on normal retirement age.

(5) Explain any significant changes made, or likely to be made, in the current financial year, to:

(a) the issuer's compensation system for senior officers, and

(b) the compensation packages of each of the chief executive, chief operating and chief financial officers.

3.7 Securities held

(1) Using the following table, disclose the securities held by:

(a) the issuer's senior officers and directors who are also officers (described in this form as *senior management*), as a group,

(b) the issuer's non-officer directors, as a group, and

(c) each of the issuer's significant securityholders, individually (specifying name, position with the issuer and municipality of residence).

	Number, type and percentage of issuer's securities held before completion of transaction	**Number, type and percentage of issuer's securities held on completion of transaction**
Senior management (as a group)		
Non-officer directors (as a group)		
Significant securityholders (for each, name, position and municipality of residence)		

(2) Disclose in notes to the table, for both senior management and non-officer directors, how many persons are in each group and the name and title of each person.

(3) If appropriate, include separate columns for the number of securities that will be held assuming completion of a minimum and maximum offering.

3.8 Other material information about management and others involved with the issuer

Disclose any other material information about the issuer's senior officers, directors, significant securityholders or key persons that you have not disclosed elsewhere in this Part.

Part 4 General corporate information

4.1 Business and corporate structure

(1) State the issuer's business structure (for example, partnership, corporation or trust).

(2) State the statute, jurisdiction and date of the issuer's incorporation, continuance or organization.

(3) Provide an organizational chart showing all of the issuer's corporate relationships. Include significant securityholders, subsidiaries and affiliates, and indicate the percentage ownership of voting shares for each entity and its jurisdiction of incorporation or organization.

4.2 Outstanding securities and consolidated capitalization

(1) Disclose any material difference in the equity or loan capital of the issuer on a consolidated basis, since the date of the comparative financial statements for the issuer's last financial year.

(2) Describe the material terms of each class of the issuer's outstanding securities (for convertible securities, include the exercise price).

(3) If the issuer sold within the last 12 months, or will sell, securities of the same class as those offered in the transaction, disclose the prices and number of the securities sold or to be sold.

4.3 Escrowed securities

(1) Using the following table, describe any securities of the issuer that are, or after the transaction will be, held in escrow or subject to a pooling or lock-up agreement.

(2) Provide details about the escrow or other arrangements.

Class of security	Number of securities held in escrow or subject to pooling/lock-up agreement	Percentage of outstanding securities of the class on completion of transaction

(3) If appropriate, include separate columns for the number of securities that will be held assuming completion of a minimum and maximum offering.

4.4 Head office

Disclose the following about the issuer:

(a) Head office address,

(b) Phone and facsimile numbers

(c) E-mail address, and

(d) Exchange, quotation system or other trading facility where issuer's securities trade and name of market regulator **[e.g. Market Regulation Services Inc.]**.

4.5 Transfer agents and registrars

Identify the transfer agent and registrar for all classes of the issuer's securities.

4.6 Interest of expert

Disclose whether any expert involved in preparing the AIF or any report or valuation relating to the issuer's business has an interest in any property, or owns any securities, of the issuer or any of its associates or affiliates, or is likely to become a director, senior officer, employee or consultant of the issuer or any of its associates or affiliates.

4.7 Other material information about the issuer or its securities

Disclose any other material information about the issuer or its outstanding securities that you have not disclosed elsewhere in this Part.

4.8 Investors' rights

State:

"If there is a misrepresentation in this AIF or in another document contained in this issuer's continuous disclosure record, investors have a statutory right to sue for damages against the issuer, every person who was a director or officer at the date of the document, and any due diligence provider involved in the transaction.

This right is available regardless of whether the investor relied on the misrepresentation. There are defences available to the persons that investors have a right to sue.

If an investor intends to rely on this right, the investor must start an action for damages within:

(a) three years of the date the document containing the misrepresentation was first released, or

(b) six months of the date of a news release disclosing that leave has been granted to start an action relating to the misrepresentation,

whichever comes first.

Investors should consult a lawyer about these rights and any other rights they may have."

4.9 Continuous disclosure documents

Disclose how securityholders may contact the issuer to obtain, at no charge, copies of the issuer's continuous disclosure documents as required under the rules.

Part 5 The transaction

5.1 Due diligence

State the name of the due diligence provider and give details of the provider's arrangements with the issuer, including the compensation paid to the provider and whether the provider and the issuer have a relationship that could affect the provider's independence.

5.2 The transaction

(1) Describe the transaction and the securities being offered.

(2) State the name of the underwriter or other registrant involved in the transaction and give details of its arrangements with the issuer in connection with the sale of the securities.

(3) If the issuer has a relationship with any underwriter that could affect the underwriter's independence, provide details.

5.3 Financial statements and MD&A

(1) Include the financial statements of the issuer required under the rules.

(2) If not disclosed elsewhere in this AIF, include Management's Discussion & Analysis prepared in accordance with Part 6 of NI 51-102 *Continuous Disclosure Obligations.*

5.4 Net proceeds and other available funds

(1) Using the following table, disclose the net proceeds of the transaction. If the issuer is in the development stage, also disclose the current working capital (or working capital deficiency) and the total funds available to be used with the net proceeds to achieve the objectives set out in section 1.1.

		Assuming min. offering	**Assuming max. offering**
A	Amount to be raised by the transaction	$_____	$_____
B	Estimated transaction costs: Underwriter compensation Other	 $_____ $_____	 $_____ $_____
C	Net proceeds: C = A − B	$_____	$_____
D	***[For development stage issuers only]*** Current working capital (or working capital deficiency)	$_____	$_____
E	***[For development stage issuers only]*** Available funds E = C + D	$_____	$_____

(2) If there is no minimum offering, state "$0" as the minimum.

5.5 Use of proceeds and other available funds

Disclose how the issuer will use the net proceeds of the transaction and, if the issuer is in the development stage, the other available funds.

5.6 Project financing and limited partnership offering

(1) If the transaction is a project financing, limited partnership offering or other transaction where the investor will be a party to the transaction agreement, summarize the key terms of the co-tenancy, unitholders', limited partnership or other agreement.

(2) You must give investors a copy of the agreement to review if they request it. Tell investors that they have this right.

5.7 Income tax consequences

(1) If income tax consequences are a material aspect of the securities being offered (for example, flow-through shares),

(a) summarize the significant income tax consequences to Canadian residents, and

(b) name the person providing the tax disclosure in (a), and the person providing the opinion on which that disclosure is based and the professional designation, if any, of that person.

(2) Suggest to investors that they consult a professional adviser to get advice on any possible tax consequences of the transaction.

5.8 Other material information about the transaction

Disclose any other material information about the transaction or the securities being offered that you have not disclosed elsewhere in this Part.

Completing Form 4B2/5A2 *Annual Information Form*

These guidelines will help you complete Form 4B2/5A2 *Annual Information Form*.

Chapter A contains general points to keep in mind when preparing your annual information form (AIF). Parts 1 to 5 of Chapter B provide more specific guidelines on how to complete the various items of the form. The numbers in those five Parts correspond to those in the form.

Portions of the form and these guidelines are shaded. An issuer filing its initial AIF in connection with a transaction must complete all items of the form, both shaded and unshaded. All subsequent AIFs need include only that information required by the unshaded items.

A. General guidelines

1. Initial AIFs

General

The purpose of an initial AIF — the AIF an issuer files to become a public issuer — is to ensure that all material information about the issuer and any transaction it is doing when it enters the public market is publicly available. If your AIF is an initial AIF you must indicate this on the cover page.

Filing, relief and acceptance

An issuer must file a draft initial AIF and draft financial statements with the Commission. If your initial AIF does not comply with the form in any significant way, you should explain this in an accompanying cover letter.

If you will need relief from a provision of the Act or rules to complete your initial AIF or the transaction it describes, you should apply for this relief in writing to the Commission. For routine matters, you can apply when you file your initial AIF. If your application involves a new or complex issue, you should apply for relief before filing your initial AIF so that the review process is not delayed and you can take advantage of any available market window.

Commission staff will review these materials and provide comments to the issuer. Once you resolve any staff concerns, you must file the final initial AIF and financials and the Commission will "accept" the initial AIF if to do so is in the public interest. Only the final materials will be publicly available.

If the issuer cannot satisfy concerns raised by staff, the Commission may refuse to accept the issuer's initial AIF. However, we may not do so without giving you an opportunity to be heard.

The following will likely raise public interest concerns:

- The issuer has significantly failed to comply with our requirements — for example, you have omitted significant disclosure or failed to retain a due diligence provider.
- The past conduct of the issuer or its officers, directors or significant securityholders makes them unfit to be in the public markets — for example, one of these individuals has a history of bankruptcy or fails the criminal records check.
- The issuer's officers and directors do not have the knowledge and expertise necessary to run a public company.

Personal information forms (PIFs)

With your draft initial AIF, you must file a PIF and a consent for us to conduct a criminal records check for each director, officer and significant securityholder of the issuer. If the issuer is listed on an exchange, you may provide copies of the most recent PIFs filed with the exchange. If the issuer is not listed, you may use the form of PIF prescribed by The Toronto Stock Exchange and The TSX Venture Exchange. You may obtain a form of consent to criminal records check from us.

Refunds

If, after filing your initial AIF, you decide that you do not want the Commission to accept it, you should request this in writing. If we receive your request within [•] days after you file your initial AIF, we will refund your filing fee, less a [$] processing fee.

New material information

Once the initial AIF is accepted, you must make any changes to the material information it contains by filing a press release.

Delivery

Issuers do not have to deliver the initial AIF to investors, although they can if they wish. However, issuers must deliver it to investors who request it.

Due diligence providers

An issuer must retain a due diligence provider for its initial AIF, regardless of whether the issuer is completing a transaction (see the discussion on due diligence providers in Part 1, Section A of the Issuers Guide.)

Issuers in the development stage

In assessing whether the issuer is in the development stage, you should apply the principles in the Handbook, Accounting Guideline AcG-11.

2. Subsequent AIFs

The purpose of a subsequent AIF is to update, in one convenient form, material information about the issuer's business and affairs on the issuer's public record. As with the initial AIF, all material information about the issuer's business and affairs must be disclosed.

3. All AIFs

Disclose all material information

You must disclose all material information about the business and affairs of the issuer and the transaction. Information is material if it would reasonably be expected to result in a significant change in the value or market price of any or all of the issuer's securities.

The information required in the form is not specific to any particular industry or type of business. To disclose all material information about the issuer, you may need to include in your AIF information in addition to that specifically called for in the form.

We have provided some examples in these guidelines of the type of information that may be relevant to some issuers. However, these examples are not exhaustive. You must consider the issuer's specific circumstances carefully, and conclude whether the examples are relevant to the issuer's business, and whether there is other information that is material but is not caught by one of the examples. We expect issuers to use their judgment about what is material information rather than follow a "checklist" of disclosure requirements or adopt a "boilerplate" approach by simply copying language from the AIFs of others without tailoring the content to the issuer's own circumstances.

The AIF requires you to disclose other information that may not be material, but is important for investors to know. There may be additional information that you wish to disclose because you believe the information will be meaningful to investors and analysts.

You should disclose both positive and negative material information. If you are unsure whether negative information is material and therefore should be disclosed, one approach is to consider whether you would disclose that information if the situation were reversed and it would have a positive effect on the issuer's business. Consider the example of a pharmaceutical company that manufactures one principal drug: the two main markets for that drug are B.C. and Alberta, but the company learns that in B.C. the drug may soon not be covered by medicare. Is this information material? The answer is clearer if you imagine the reverse situation — a company, whose sole market is Alberta, learns that in B.C. medicare may soon begin to cover the drug. Would the company not likely consider this material?

An issuer and its directors, officers and experts (for their opinions) will be liable if the AIF contains a misrepresentation. Therefore you must take care in deciding what information is material, ensure that the information is complete, and present it in a fair and balanced manner so that the statements you make in the AIF are not false or misleading.

Plain language

Draft the AIF so that it is easy to read and understand. Be concise and use clear, plain language.

Here are some plain language principles for you to consider when preparing your AIF:

- Use short sentences
- Use definite, unambiguous, everyday language
- Use the active voice
- Avoid superfluous words
- Organize the document in clear, concise sections, paragraphs and sentences
- Avoid jargon
- Do not rely on glossaries and defined terms unless it helps the reader understand the information
- Avoid boilerplate wording
- Avoid multiple negatives
- Avoid technical terms where possible (if you use them, include definitions or explain them)
- Use charts and tables where it makes information easer to understand.

Presentation of information

The AIF is designed to be flexible, both as to the level of detail presented and to the presentation itself.

You should present the information required in a way that you think will help investors make their investment decision. You may wish to include a table of contents as well as an executive summary of some of the key information in the document, since these can help readers find the information that most interests them.

You do not need to discuss the items required in exactly the order they appear in the form if you think a different presentation will be easier for investors to follow. However, we encourage you to organize the information into the following main Parts to help market participants compare your information with that of other issuers:

- The business
- Risk factors
- Management and others involved with the issuer
- General corporate information
- The transaction.

You do not need to provide disclosure about, or refer to, any item that does not apply.

Financial information

The information in your responses to the form must be consistent with the information in the issuer's financial statements, including the accompanying notes.

Duplicate information

If more than one item of the form requires disclosure of the same information, you may disclose the information in one item only, and refer the reader to that item in the other items that require the same disclosure.

Cross references

Where one item of your AIF refers to another, you may want to include a "hyperlink" in the electronic version of your document to allow readers to go directly to the cross-referenced item.

B. Specific guidelines

Part 1 The business

1.1 The business

Products and services

You should describe the products or services the issuer sells or will be selling. Generally, a description of the activities the issuer engages in and will engage in over the next 12 months will be sufficient. You should include enough information to allow a person who knows nothing about the issuer's business to understand what the issuer does and will do.

In describing the issuer's products and services, consider:

- if the issuer is in the development stage, how the products or services are produced or provided — for example, does the issuer make the final product or does it manufacture components and sell them to others who produce the final product?
- if this is the issuer's initial AIF, how the products or services are distributed — for example, is the business retail or wholesale?
- the principal markets — for example, who is the issuer selling to?
- the stage of development — for example, if the issuer plans to offer a new product, what amount of resources will it need to complete development of the product?
- any research and development — for example, how will the issuer benefit from the knowledge gained through R&D?

If the issuer is in the development stage, you should discuss how production or any services will change when the issuer has access to the transaction proceeds. This disclosure should be consistent with your discussion under item 5.5 *Use of proceeds and other available funds*.

Operations

In describing the issuer's operations, you should discuss things like the issuer's properties, suppliers, customers, sales and employees. Of course, other factors may be material, depending on the nature of the issuer's business. If the issuer has any material subsidiaries, you should discuss them here.

In preparing your description, you should consider questions like:

- If the issuer has any mineral projects, what are the issuer's material properties and who are its experts? Normally, this information will be incomplete without a summary of any technical report prepared and filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.
- If the issuer has any oil and gas operations, what are those operations and who are the issuer's experts? Normally, this information will be incomplete without a summary of any report required by British Columbia securities laws.
- Does the issuer have any significant intangible assets?

- Who are the issuer's suppliers? What are the terms of their arrangements? Does the issuer depend on a limited number of suppliers for essential raw materials or other supplies? What impact will renegotiation of any supply contracts have on the issuer's business?
- What are the cost and availability of any raw materials, component parts or finished products?
- Who are the issuer's customers? Do any account for a major portion of the issuer's sales? What will the issuer do if it loses any of those customers?
- Does the issuer have any major sales contracts? If so, what are their material terms? What impact will renegotiation of these contracts have on the issuer's business?
- Is the business cyclical or seasonal?
- How many people work for the issuer currently? Does the issuer expect this to change significantly over the next 12 months?
- Is the issuer dependent on the specialized skill or knowledge of any individual or firm?

Marketing plan

If the issuer is in the development stage, you should describe how it intends to make its products or services known to potential customers (a description of major target markets is likely material; tactical details are likely not).

You should also disclose how the issuer intends to fund its marketing activities. If you intend to use transaction proceeds to fund these activities, your disclosure here should be consistent with item 5.5 ***Use of proceeds and other available funds***.

Competition

In describing the issuer's competitive position, you should describe the market area that the issuer competes in or will compete in. An issuer's market area may be larger than its geographic area (if, for example, it does business mainly over the internet). You should also discuss the issuer's main competitors (including their relative size and financial and market strengths) and how the issuer competes or expects to compete with them (including, in general terms, its strategy for doing so).

Short term objectives

A discussion of short term objectives should be the major focus for issuers in the development stage when disclosing their objectives, although other issuers will also want to discuss them when they are material.

You should consider these questions:

- What do you intend to accomplish in the next 12 months?
- What steps must you undertake to complete these goals?
- How much will it cost to meet each goal?
- When will each task begin and be completed?

For example, if you have listed a production target as an objective, to achieve that objective, you might have to hire skilled employees, expand your plant or buy new equipment. There may also be regulatory approvals involved.

You may want to organize the information in a table. We also suggest that you discuss the issuer's objectives in chronological order, since some steps in the issuer's business plan may be dependent on others.

You should give sufficient information so that an investor can assess whether the issuer's resources will be adequate to meet its goals. Indicate whether completing any or all of the issuer's objectives will exhaust the transaction proceeds and, if so, discuss whether the issuer has access to other sources of funds.

You should also discuss the consequences if there are delays in achieving any of the issuer's objectives. For example, how would a delay affect the issuer's available funds?

An issuer's objectives will differ depending on the nature of its business and its resources. We have provided below some examples of short term objectives, but you should keep in mind that these are examples only:

- Registering a trademark
- Acquiring a specific contract
- Achieving a level of net sales
- Reaching a specific number of new markets
- Reaching a specific level of production.

Long term objectives

A discussion of long term objectives will likely be the focus for more developed issuers when discussing their objectives, although other issuers will also want to discuss them when they are material.

Disclosure of these types of objectives will likely be less detailed than disclosure about short term objectives. Specific dates and costs for long term objectives may not be relevant, or even known. Here are some examples of long term objectives that an issuer might have:

- Change the issuer's business focus
- Reach another market
- Develop a different product line
- Adopt a different business strategy.

Material agreements

You should disclose all material agreements relating to the issuer's business and affairs. For example, if the issuer has only one supplier, the supply agreement is likely crucial to the business and you should disclose it.

You should discuss these agreements when you describe the issuer's business under item 1.1 or in other appropriate Parts of the form (for example, agency agreements under Part 5).

When disclosing the issuer's material agreements, you should discuss their key terms.

Use of available funds

If the issuer is in the development stage, you should discuss the issuer's working capital and available funds (including the net proceeds of the transaction) and how it will use those funds.

You may want to disclose this information in a table, similar to the one required under item 5.4. Or, as with your discussion of the issuer's material contracts, it may be more appropriate to include your use of funds discussion under the other headings set out above. For example, what portion of the issuer's available funds will you use to satisfy the issuer's short term objectives? However, if you intend to use any of the issuer's available funds in a manner not contemplated by any of the categories discussed earlier, you should still disclose this use in item 1.1.

Your discussion here should be consistent with item 5.5 ***Use of proceeds and other available funds***.

1.2 Our history and development

You should summarize the material events relating to the issuer and its business that have occurred over the last three financial years and any subsequent period. If the issuer's history includes a merger, spin-off, recapitalization or other similar corporate transaction, you should disclose that event. You should also disclose any important acquisition or disposition, and any bankruptcy, receivership or similar proceedings involving the issuer or any of its subsidiaries. You can disclose the issuer's history and development in item 1.1 if it is more convenient to do so.

Part 2 Risk factors

2.1 Risk factors

Every AIF should contain risk factor disclosure. Every business and investment has risks. The risk factors should appear in order of importance with the most important factors appearing first. You may find it helpful to write your risk factors and determine their priority after you have completed the rest of your AIF.

Specific, sufficient and non-boilerplate

You should avoid generalized statements and include risk factors that are specific to the issuer and the transaction. You should not use language that tends to trivialize the risks you are disclosing.

We list below some examples of risk factors. Not all of these risks will exist for all issuers. The list is not intended to be exhaustive as risks vary according to the nature of an issuer's business and the type of security offered. Therefore, there may be risks relating to the issuer or its securities that are not listed. There is no specific number of risk factors that you should identify.

Categories of risk factors

There are three general categories of risk factors.

Issuer risks — risks that are specific to the issuer, such as:

- Commodity prices
- Sensitivity to interest rate fluctuations
- Exposure to foreign currency fluctuations
- Labour relations
- Regulatory actions and approvals
- Legal or administrative proceedings
- Political risk factors
- For issuers in the development stage,
    - Insufficient funds to accomplish the issuer's business objectives
    - No history or a limited history of sales or profits
    - Lack of specific management or technical expertise
    - Management's regulatory and business track record
    - Dependence on key employees, suppliers or agreements.

Industry risks — risks that the issuer faces because of the industry it operates in, such as:

- Environmental and industry regulation
- Product obsolescence
- Industry-wide product pricing
- Industry-wide collective bargaining.

Investment risks — risks relating to the securities being offered, such as:

- Arbitrary determination of price
- No market or an illiquid market for the securities
- Public investors in a minority position
- Subordination of debt securities
- The absence of any guarantee or other credit support for the payments to be made under the securities
- If the issuer is a foreign issuer, the potential difficulty investors may face when attempting to enforce judgments of Canadian courts in foreign jurisdictions.

Part 3 Management and others involved with the issuer

Disclosure contained in information circular

Certain items of Form 51-102F5 *Information Circular* may duplicate disclosure requirements of the AIF. For example, an issuer may already have disclosed in its information circular information required by items 3.4, 3.7 and 3.8 of the AIF. To the extent any disclosure required by the AIF is already made in the issuer's information circular, that disclosure need not be made in the AIF.

3.1 Our management

When providing the resumes required under item 3.1, remember that *director* and *senior officer* include persons who perform these functions, regardless of their titles.

The resumes should include all information that is relevant to the particular director or senior officer's ability to manage the issuer. You should disclose sufficient information to help investors understand the value of the directors' and senior officers' skills and experience to the issuer and its business.

3.3 Arrangements with senior management and key persons

Most issuers in the development stage and some other issuers make arrangements to ensure that their senior management and key persons stay with them for a certain period of time to help carry out the issuer's business plan. These arrangements are often made in connection with an issuer's initial public offering but can also be made in other contexts. Here are some examples of these types of arrangements:

- Escrowing of securities
- Employment, non-competition or non-disclosure agreements
- Vesting periods for options
- Bonus systems.

A key person is any person who performs a function that is of material importance to the issuer. Key persons could include the original inventors of the issuer's product, members of the issuer's research and development team and the issuer's sales personnel.

3.4 Interest of management and others

Conflicts of interest

Consider whether there are any situations in which any of the persons listed in item 3.4 could benefit at the issuer's expense.

Here is an example of a conflict of interest situation you should disclose under item 3.4. A senior officer owns a product and has granted distribution rights over that product to the issuer, on condition that the issuer achieve specified performance levels. If the issuer does not perform as contemplated under its agreement with the senior officer, the issuer's rights to distribute the product terminate and the officer can exploit the rights personally or grant them to another party.

The conflict arises because the senior officer is directly responsible for how the issuer will perform. The officer has competing interests because he or she wants the issuer to succeed but may also want to regain the distribution rights to the product to make other arrangements that might be more profitable.

Transactions

When deciding whether to disclose a particular transaction, you should consider questions like:

- How important is it to the person with the interest?

- How important is it to the issuer?
- What is the relationship between the parties to the transaction?

When describing the transaction, you should include the name of each person whose interest you are disclosing and that person's relationship to the issuer. You should also disclose the business purpose of the arrangement, any ongoing commitments resulting from the arrangement, and the transaction price and how it was determined. If you are representing that the transaction was evaluated for fairness, disclose how the evaluation was made and by whom.

An example of the type of transaction you should disclose is one in which the issuer (or any of its subsidiaries) bought or sold assets of any significance from the person.

3.5 Legal, administrative and bankruptcy proceedings

You should disclose under item 3.5 any penalty, sanction, settlement agreement, cease trade or similar order, or order denying access to a statutory exemption (including the reason for it and whether it is currently in effect) imposed by a court, securities regulatory authority (including self-regulatory organizations), or any other financial regulatory body (such as the B.C. Financial Institutions Commission).

If there is a securities or financial regulatory proceeding pending and the relevant regulatory body has issued a notice of hearing for that proceeding, you should also disclose that.

3.6 Compensation

The purpose of your executive compensation disclosure is to allow investors to compare the compensation of the issuer's management to the issuer's performance during the relevant period, and to the compensation of management of other issuers.

To achieve this, your disclosure must be specific and tailored for each individual or group. You should combine the discussion of individual officers' compensation only when necessary to avoid repetition. Discussion of compensation policy is only useful if it helps to explain a particular individual's compensation.

What does compensation include?

We expect you to disclose all compensation the issuer paid in its last financial year to its senior officers, non-officer directors and significant securityholders. This includes all forms of compensation, both cash and non-cash. When deciding whether something constitutes compensation, ask yourself whether the item directly or indirectly benefits the person in any way.

You may want to describe significant components of compensation in narrative form, or in footnotes to the table.

If the issuer had more than one chief executive, chief financial or chief operating officer during the year, you should disclose the compensation paid to each individual separately for acting in that capacity. If an individual served in any of those capacities for only part of the year, you should indicate the period of time that the compensation covers.

The test for who is an issuer's chief executive, chief financial or chief operating officer is based on function. You should disclose compensation for the individuals who perform the functions normally associated with those positions, regardless of their official titles.

You should include any compensation that was payable, but not paid, during the year because the officer chose to defer payment.

Cash compensation

The table asks you to separate salary and bonus and to specifically identify other types of cash compensation. When disclosing any bonuses, include bonuses that accrued in the last financial year that have not been paid.

You should distinguish between bonus payments, usually determined based on performance in the last financial year, and payments under a long-term incentive plan which are based on performance over a period longer than one financial year.

Other examples of cash compensation you should identify and separately disclose would be directors' fees paid to a key executive, the amounts of any outstanding loans or reimbursed taxes.

You should also disclose, as other cash compensation, the amounts received on the exercise of company stock options or SARs during the year. Although this is not compensation paid directly by the issuer, it is the realization of a benefit that was awarded in a prior year.

Non-cash compensation

This would include grants of stock options, stock appreciation rights and other securities-based compensation. You may wish to disclose stock options and SARs in a table that is separate from the one required in item 3.6(1). Extension or replacement grants should be included. Information about any repricing of options or SARs may also be material.

Waived interest charges or assumed debts are other examples of non-cash compensation.

You should also include personal benefits that are not generally available to employees. Examples would be club memberships, company cars, insurance benefits, use of recreational property owned or leased by the company, discounts on company stock, products or services or subsidized tax advice. You may wish to express this compensation in monetary terms if it makes the information more meaningful.

Management services agreements

You must disclose compensation paid to the issuer's "de facto" chief executive officer and other senior management. This may include fees paid under a management services contract. Where management functions are performed by a party other than the issuer's directors or senior officers, you should disclose the amounts paid under the management contract and its key terms. You should also disclose any other compensation or benefits the issuer has provided to the contracted party or any person with an interest in the contracted party.

How does your executive compensation compare to performance?

Item 3.6(3) requires you to explain the compensation of key officers in the context of the issuer's performance during the year.

In addition to the factors specifically listed, you should discuss any other factors that had bearing on the amount of compensation paid. Examples of some other factors you may want to discuss are compensation paid by other, comparable companies in the issuer's sector, compensation paid for foreign assignments or to attract foreign expertise, or to recognize individual accomplishments.

You should discuss each of the listed factors whether the influence on executive compensation was positive, negative or neutral, and explain any apparent discrepancies. For example, if earnings decreased from the preceding year or stock performance was below industry average, but cash bonuses increased, you should explain this.

Part 4 General corporate information

4.2 Outstanding securities and consolidated capitalization

Material changes

When discussing material changes under item 4.2(1), you should discuss any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, reorganization or other similar corporate transaction.

If several material changes have occurred, you should disclose each change, and not just the net effect of all changes. For example, if an issuer repurchased securities, then issued additional securities of the same class, and both the repurchase and issuance are material, you should report both transactions and not just the total number of securities outstanding after the issuance.

Material terms

When you are describing the material terms of the issuer's outstanding securities, you may want to present the information in the form of a capitalization table, similar to the one set out in item 4.1 of the offering memorandum form (Form 3F11OM).

Material terms of the issuer's outstanding securities could include:

- Shares or other equity interests which are subject to rights, options or warrants
- Restrictions on voting or rights to participate in earnings, assets or a takeover bid
- Constraints on ownership of the issuer's securities to ensure a certain percentage of Canadian securityholders and the issuer's plans for monitoring and maintaining that percentage.

4.3 Escrowed securities

In an escrow arrangement, an issuer's principals (typically directors, senior officers and founding shareholders) place their securities in escrow with an escrow agent. The principals are then restricted from selling or dealing in other ways with the escrowed securities until they are released from escrow, usually according to an agreement. When providing details of any escrow arrangement under item 4.3(2), you might wish to include the name of the escrow agent.

Part 5 The transaction

5.2 The transaction

All transactions

What you disclose in item 5.2 will differ depending on the type of securities you are offering. However, there is some information you should disclose regardless of the type of transaction. For example:

- The type of securities offered
- The price per security and how the price was determined
- The maximum and minimum number of securities offered
- The material terms of any transaction agreement
- Any restrictions on resale of the securities
- The exchange or other market where securities of the class being offered, trade or are expected to trade (and whether the issuer has received conditional listing approval)
- Any intention to stabilize the market
- Arrangements to deal with funds received if there is a minimum amount of funds to be raised

- Whether the securities are underwritten, under option or to be sold on a best efforts basis, including details
- Any finder's fees.

Underwriters and agents

Here are some example of the types of things you should disclose when you describe the arrangements between the underwriter or other registrant and the issuer in connection with the sale of the securities:

- The underwriter's obligations and any conditions on those obligations
- The underwriter's right, if any, to decrease the price per security
- The underwriter's compensation (discounts, commissions or other)
- Any over-allotment option.

For guidance on whether the relationship between the issuer and its underwriter could affect the underwriter's independence, see the Code of Conduct.

Reverse takeovers

If the transaction involves a business combination that will be accounted for as a reverse takeover, you should disclose in your initial AIF information about both the issuer and the business being acquired in sufficient detail so that an investor is able to understand the resulting business and its future prospects.

Acquisitions material to the issuer

If the transaction involves an acquisition that is material information, you should disclose sufficient information to enable an investor to appreciate the impact of the acquisition on the issuer and its business. In some cases, disclosing the financial statements of the acquired business may be the most meaningful way to disclose material information about the acquisition. An example is where an issuer buys a business with a good performance record and does not plan to make any major changes in the way the business is carried on.

Guarantor

If a guarantor has guaranteed all or substantially all of the payments to be made under the securities being offered, you should disclose material information about the guarantor, its role in the offering and any security provided for the guarantee. In some cases, for instance when the guarantee is unsecured, it may be appropriate to include in the initial AIF financial statements of the guarantor.

Shares

State if the issuer is offering common shares.

For shares other than common shares, here are the types of things you should disclose:

- Voting rights or restrictions
- Dividend rights, restrictions and policies
- Rights on dissolution or winding-up
- Pre-emptive rights
- Conversion or exchange rights
- Redemption, retraction or similar rights
- Sinking or purchase fund provisions
- Material restrictions
- Provisions requiring a shareholder to contribute capital
- Provisions as to modification, amendment or variation of any rights

- Information about any other securities of the issuer that limit or qualify the rights of the shares or that rank ahead of or equally with them
- Earnings coverage ratios.

Debt securities

If the issuer is offering debt securities, here are the types of things you should disclose:

- Interest rates
- Maturity date
- Effective yield if securities held to maturity (if applicable)
- Conversion or exchange rights
- Redemption, retraction or similar rights
- Sinking or purchase fund provisions
- Any security for payments under the securities
- The issuer's financial arrangements that could affect any security for payments under the securities
- Earnings coverage ratios
- Any ratings from an approved rating organization
- Material restrictions
- Provisions as to modification, amendment or variation of any rights
- The identity of and any arrangements with a trustee.

Other securities

If the issuer is offering any other type of securities, you should disclose the material terms and conditions of those securities.

5.3 Financial statements and MD&A

Financial statements for most recent 3 years

If the issuer has not completed 3 financial years, you should provide financial statements for the number of financial years it has completed.

The rules refer to financial years that ended 90 days or more before the date of the AIF. This is because some issuers, whose last financial year may have ended within 90 days of the AIF, may not have completed the preparation or audit of their financial statements for the year. However, if at the time of filing your AIF more up-to-date audited financial statements are available, we expect you to include these instead of the statements for the earliest of the 3 years.

Subsidiaries

If the financial statements of a subsidiary of the issuer disclose material information about the transaction that is not disclosed elsewhere, consider including these financial statements with your initial AIF, even if they are consolidated in the issuer's financial statements provided under item 5.3. For example, separate financial statements may help explain the nature of the subsidiary's operations.

Reverse takeovers

If the transaction disclosed in the initial AIF is a business combination that will be accounted for as a reverse takeover, and the offering is not conditional on successful completion of the transaction, it is likely that the financial statements for both the issuer and the acquired business are material and should be provided under item 5.3.

If the offering is conditional on successful completion of the reverse takeover, the financial statements of the issuer (legal parent) may not be material.

Issuers in the development stage

Issuers in the development stage are required to include, in either their financial statements or their MD&A, the breakdown of expenses described in item 6.3 of NI 51-102 *Continuous Disclosure Obligations*.

5.4 Net proceeds and other available funds

You should include in row B of the table under "Other" all direct, indirect and miscellaneous costs of the transaction. Some examples of these costs are:

- Compensation paid to sellers or finders (for example, commissions, corporate finance fees, finder's fees)
- Legal and accounting fees
- Consulting fees
- Advertising and filing costs.

5.5 Use of proceeds and other available funds

Disclose the principal purposes for the use of the net proceeds of the transaction (and, for issuers in the development stage, of other available funds) and the amount to be used for each purpose. You may want to disclose this information in a table.

You should be specific about how the issuer will use the proceeds (or total available funds) and how the cost of each item was determined. If the issuer is in the development stage, stating that the issuer will use the funds for "general corporate purposes" will not help investors make their investment decision.

You may want to use categories like the following: leases, rent, payroll, purchase or lease of equipment or inventory, repayment of debt. Of course, the categories you use will depend on the nature of the issuer's business and its business plan. Therefore, these categories are examples only and are not exhaustive.

For issuers in the development stage, your disclosure here should be consistent with item 1.1 ***The business***.

Insufficient funds

You should disclose what you will do if the issuer does not raise enough money in the transaction to carry out its business plan. For example, does the issuer have access to alternate sources of funding? Are these sources firm or contingent?

Reallocation

You should also consider how you will reallocate the proceeds (funds) if the issuer's circumstances change and the originally intended use of proceeds (funds) no longer applies. For example, if the issuer intends to use the proceeds (funds) from the transaction to fund a new business, you should discuss how it will use the proceeds (funds) if it is unable to obtain the necessary approvals for that business.

APPENDIX B

FORM 3F11OM
Offering Memorandum

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:
Phone #:
E-mail address:
Fax #:

Currently listed or quoted? **[Yes/No. If yes, state where, e.g., TSX/TSX Venture Exchange.]**
Public or Reporting issuer? **[Yes/No. If yes, state where.]**
SEDAR filer? **[Yes/No]**

The Offering

Securities offered:
Price per security:
Minimum/Maximum offering: ***[If there is no minimum, state "$0" as the minimum and also state:* You may be the only purchaser.]**
Payment terms:
Proposed closing date(s):
Tax consequences: *State:* There are important tax consequences to these securities. See item 6. **[If tax consequences are not material, delete this item.]**
Selling agent? **[*Yes/No. If yes, state* "See item 7". *You may also state the name of the selling agent.*]**

Resale restrictions

State: There are restrictions on who you can sell your securities to and when you may sell them. See item 10. *If real estate, syndicated mortgage or other similar securities are being offered, also state:* There is no assurance that there will be a market for resale of these securities.

Purchaser's rights

State: You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue for damages or to cancel the agreement. See item 11.

Warning

State in bold type:

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8.

All of the above information must appear on a single cover page.

Item 1 Use of Net Proceeds

1.1 Net proceeds

Using the following table, disclose the net proceeds of the offering. If there is no minimum offering, state "$0" as the minimum.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	$	$
B	Selling commissions and fees	$	$
C	Estimated offering costs (e.g., legal, accounting, audit)	$	$
D	Net proceeds: D = A − (B+C)	$	$

1.2 Use of net proceeds

Using the following table, provide a detailed breakdown of how the issuer will use the net proceeds. If any of the net proceeds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the net proceeds to be applied to the working capital deficiency.

Description of intended use of net proceeds listed in order of priority	Assuming min. offering	Assuming max. offering
	$	$
	$	$

1.3 Reallocation

The net proceeds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the net proceeds may be reallocated, state:

"We intend to spend the net proceeds as stated. We will reallocate funds only for sound business reasons."

1.4 Working capital deficiency

State the amount of any working capital deficiency of the issuer as at a date not more than 30 days before the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of net proceeds, state how the issuer intends to eliminate or manage the deficiency.

Item 2 Business of *[name of issuer or other term used to refer to issuer]*

2.1 Structure

State the issuer's business structure (e.g., partnership, corporation or trust), the statute and the province, state or other jurisdiction under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 Our business

Describe the issuer's business. For a non-resource issuer this may include principal products or services, operations, market and marketing plans and strategies. For a resource issuer this will require a description of principal properties (including interest held) and may include disclosure of the stage of development, reserves, geology, operations, production and mineral or resource being explored or developed. Generally, this description should not exceed 2 pages.

2.3 Development of business

Describe (generally, in one or two paragraphs) the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include the major events that have occurred or conditions that have influenced (favourably or unfavourably) the development of the issuer.

2.4 Long term objectives

Disclose the issuer's long term objectives.

2.5 Short term objectives and how we intend to achieve them

(1) Disclose the issuer's objectives for the next 12 months.

(2) Using the following table, disclose how the issuer intends to meet those objectives for the next 12 months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
		$
		$
		$

2.6 Insufficient Proceeds

If applicable, disclose that the proceeds of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available.

2.7 Agreements

If the purchaser will be a party to an agreement with the issuer or a related party of the issuer (for example, if the transaction is a project financing or limited partnership offering or involves a rental pool arrangement), you must give the purchaser a copy of the agreement to review on request. Tell purchasers that they have this right.

Item 3 Directors, Management and Significant Securityholders

3.1 Compensation and securities held

Using the following table, provide the specified information about each director, senior officer and significant securityholder of the issuer. If the significant securityholder is not an individual, state in

a note to the table the name of any person that owns or controls more than 50% of the voting rights of the significant securityholder.

Name and municipality of principal residence	Positions held (e.g., director, officer and/or significant securityholder) and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year (or, if the issuer has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering

3.2 Management experience

Using the following table, disclose the principal occupations of the directors and senior officers over the past five years. In addition, for each individual, describe any relevant experience in a business similar to the issuer's.

Name	Principal occupation and related experience

3.3 Penalties, sanctions and bankruptcy

(a) Disclose any penalty or sanction (including the reason for it and whether it is currently in effect) that has been in effect during the last 10 years against any:

(i) director, senior officer or significant securityholder of the issuer, or

(ii) issuer of which a person in (a) was a director, senior officer or significant securityholder at the time.

(b) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:

(i) director, senior officer or significant securityholder of the issuer, or

(ii) issuer of which a person in (a) was a director, senior officer or significant securityholder at the time.

3.4 Interest of management and others

Describe the following for each director, senior officer and significant securityholder, and any of their associates or affiliates, of the issuer and its subsidiaries:

(a) any existing or potential conflicts of interest between the person and the issuer or any of its subsidiaries, and

(b) any interest in any transaction involving the issuer or any of its subsidiaries within the last three financial years.

Item 4 Capital Structure

4.1 Share capital

Using the following table, provide the required information about the issuers' outstanding securities (including options, warrants and other securities convertible into shares). If necessary, describe in notes to the table the material terms of the securities.

Description of security	Number authorized to be issued	Number outstanding as at [a date not more than 30 days before the offering memorandum date]	Number outstanding after min. offering	Number outstanding after max. offering

4.2 Long Term Debt

Using the following table, provide the required information about outstanding long term debt of the issuer. If the securities being offered are debt securities, add a column to the table disclosing the amount of debt that will be outstanding after both the minimum and maximum offering. If the debt is owed to a related party, indicate that in a note to the table and identify the related party.

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at [a date not more than 30 days before the offering memorandum date]
			$
			$

4.3 Prior Sales

If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the last 12 months, use the following table to provide the information specified. If securities were issued for assets or services, describe in a note to the table the assets or services that were provided.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
			$	$
			$	$
			$	$

Item 5 Securities Offered

5.1 Terms of securities

Describe the securities being offered. Include a discussion of their material terms and attributes, such as:

(a) voting rights or restrictions on voting,

(b) conversion or exercise price and date of expiry,

(c) rights of redemption or retraction, and

(d) interest rates or dividend rates.

5.2 Subscription procedure

(a) Describe how a purchaser can subscribe for the securities and the method of payment.

(b) State that the consideration will be held in trust and the period that it will be held for (refer at least to the mandatory two day period).

(c) Disclose any conditions to closing, e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met.

Item 6 Income Tax Consequences and RRSP Eligibility

6.1 Independent advice

State:

"You should consult your own professional advisers to obtain advice on the tax consequences that apply to you."

6.2 Income tax consequences

If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide

(a) a summary of the significant income tax consequences to Canadian residents, and

(b) the name of the person providing the tax disclosure in (a).

6.3 RRSP eligibility

Provide advice regarding the RRSP eligibility of the securities and the name of the person providing the advice or state:

"Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities."

Item 7 Compensation Paid to Sellers and Finders

If any person has or will receive any compensation (e.g., commission, corporate finance fee or finder's fee) in connection with the offering, provide the following information:

(a) a description of each type of compensation and the estimated amount to be paid for each type,

(b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering),

(c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date), and

(d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8 Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer.

Risk factors will generally fall into the following three categories:

(a) Investment Risk — risks that are specific to the securities being offered. Some examples include:

- arbitrary determination of price,
- no market or an illiquid market for the securities,
- resale restrictions, and
- subordination of debt securities.

(b) Issuer Risk — risks that are specific to the issuer. Some examples include:

- insufficient funds to accomplish the issuer's business objectives,
- no history or a limited history of sales or profits,
- lack of specific management or technical expertise,
- management's regulatory and business track record,
- dependence on key employees, suppliers or agreements,
- litigation, and
- political risk factors.

(c) Industry Risk — risks faced by the issuer because of the industry in which it operates. Some examples include:

- environmental and industry regulation,
- product obsolescence, and
- competition.

Item 9 Reporting Obligations

9.1 Continuous disclosure

Disclose the documents that will be sent to purchasers on an annual or on-going basis.

9.2 Other information

If corporate or securities information about the issuer is available from a government, regulatory authority, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10 Resale Restrictions

(a) If the issuer is a restricted issuer, state:

"There are restrictions on your ability to sell these securities. Contact the issuer to find out if the person you wish to sell your securities to is eligible to buy them."

(b) For all issuers, state:

"There are **[*if the issuer is a restricted issuer, state* "additional"]** restrictions on your ability to sell these securities to purchasers outside of British Columbia. The laws of most other Canadian provinces prohibit you from selling these securities to residents of those provinces for a certain period, unless you comply with an exemption from the prospectus and registration requirements under those laws. You should consult a lawyer for information about the resale restrictions that apply to sales to purchasers outside of British Columbia."

Item 11 Purchasers' Rights

If the issuer is a restricted issuer, state:

"If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

Two Day Cancellation Right — You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation — If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

(a) **[State the name of issuer or other term used to refer to issuer]** to cancel your agreement to buy these securities, or

(b) for damages against **[state the name of issuer or other term used to refer to issuer and the title of any other person against whom the rights are available]**.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days of the date you purchased the securities. You must commence your action for damages within:

(i) three years of the date of this offering memorandum, or

(ii) six months of the date of a news release disclosing that leave has been granted to start an action relating to the misrepresentation,

whichever comes first."

If the issuer is a public issuer, state:

"If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

Statutory Rights of Action in the Event of a Misrepresentation — If there is a misrepresentation in this offering memorandum or in another document contained in this issuer's continuous disclosure record, you have a statutory right to sue for damages against the issuer and every person who was a director or officer at the date of the document.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on this right, you must do so within strict time limitations. You must commence your action for damages within:

(i) three years of the date of this offering memorandum, or

(ii) six months of the date of a news release disclosing that leave has been granted to start an action relating to the misrepresentation,

whichever comes first."

Item 12 Financial Statements and MD&A

(a) A public issuer must include or refer investors to:

(i) the financial statements and related management's discussion and analysis that it is required to file under the rules, and

(ii) any press release or public communication disclosing financial information about the issuer for a more recent financial period.

(b) A restricted issuer that is not offering syndicated mortgage or real estate securities must include financial statements of the issuer that comply with the rules.

(c) A restricted issuer that is offering syndicated mortgage securities and that is not an individual must state that financial statements for the issuer's last financial year are available upon request at the office of the mortgage broker. Where the date of the offering memorandum is within 90 days of the issuer's last financial year end, the financial statements for the prior year may be made available.

(d) A restricted issuer that is offering real estate securities must include the following financial statements if the securities provide holders with a means to participate financially in a business such as a hotel or other commercial enterprise:

(i) where the business has not completed one financial year, unaudited financial statements of the business as at a date not more than 60 days before the date of the affidavit required under the *Real Estate Act*,

(ii) where the business has completed one or more financial years:

(A) audited financial statements of the business for the last financial year, and

(B) if the effective date of those statements is more than 120 days before the date of the affidavit required under the *Real Estate Act*, unaudited financial statements for a stub period ending not more than 90 days before the date of the affidavit.

Completing Form 3F11OM *Offering Memorandum*

A. General guidelines

These guidelines will help you complete Form 3F11 *Offering Memorandum*.

Parts of the form and these guidelines are shaded or found in a box. Only public issuers have to complete the shaded portions. Information contained in a box applies only to restricted issuers.

1. Plain language

Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.

2. Presentation of information

Address the items required by the form in the order set out in the form. However, you do not need to provide disclosure about an item that does not apply.

3. Disclose "all material information"

The offering memorandum must contain all material information about the issuer and the securities being offered. Information is material if it would reasonably be expected to result in a significant change in the value or market price of any or all of the issuer's securities. To disclose all material information about the issuer, you may need to include in your offering memorandum information in addition to that specifically called for in the form.

The form also requires you to disclose other information that may not be material, but is important for investors to know. There may be other information that you wish to disclose because you believe it will be meaningful to investors or analysts.

Issuers who are selling securities to purchasers in jurisdictions other than British Columbia must comply with the disclosure requirements of those jurisdictions. While other Canadian jurisdictions require that an offering memorandum contain "no misrepresentations", we believe this disclosure standard is the same in substance as our "all material information" standard. Therefore, if an issuer prepares its offering memorandum in accordance with the laws of another Canadian jurisdiction, that offering memorandum will satisfy the requirements of Form 3F11.

If the issuer is a public issuer, much of the information that the offering memorandum requires will already be contained in the issuer's continuous disclosure record. Therefore, a public issuer may comply with the form requirements by referring the reader to the SEDAR website and the part of the issuer's continuous disclosure record where the relevant information is found. You should also tell purchasers that they can obtain copies of the issuer's continuous disclosure materials on request, and include an address and telephone number where they can contact the issuer to make this request.

When providing disclosure about securities held by management in particular, you may wish to direct purchasers to where they should be able to find insider reports filed by management, e.g. the SEDI website. You should caution investors that the issuer cannot guarantee the accuracy of the information found in these reports.

4. Liability for misrepresentations

It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided.

Investors will also have various civil rights of action if the offering memorandum contains a misrepresentation. Item 11 of the form requires a description of some of these rights. The securities laws of other Canadian jurisdictions require that certain directors and officers of an

issuer certify in writing that the offering memorandum contains no misrepresentations. B.C. law does not mandate similar certificates. This is because an issuer and its directors, officers and experts can be liable for misrepresentations in an offering memorandum, whether or not they sign that document. In other words, the absence of a certificate from the offering memorandum does not affect potential liability in any way.

Issuers of real estate securities must still comply with any certification or declaration requirements imposed by the *Real Estate Act*.

5. Special situations

The information required in the form is not specific to any particular industry or type of business. The form sets out general disclosure requirements that apply to all issuers and all offerings. Because it will not always be clear from the form itself how a particular item applies in a given situation, we have included guidance below for certain "unique" issuers (and offerings) to help them complete the form.

Reallocation

It is unlikely that item 1.3 would apply in a real estate offering, a syndicated mortgage offering or a project financing.

Material agreements

The offering memorandum should include a discussion of the key terms of all material agreements relating to the issuer's business and affairs. For example, if the issuer has only one supplier, the supply agreement is likely crucial to the business and should be disclosed. You can discuss these agreements under item 2.7, or under item 2.2 if it is more convenient.

Senior officer vs. officer

Item 3 requires disclosure about the senior officers of the issuer. An officer is anyone employed in an executive capacity, while a senior officer is one whose usual responsibilities routinely provide the officer with access to inside information. For most restricted issuers, the officers and the senior officers will be the same individuals.

(a) Real estate offerings

Disclosure required by Real Estate Act

Issuers of real estate securities must comply with the *Real Estate Act* (*REA*). This statute requires that purchasers receive specific disclosure about the property and the investment.

There may be some overlap between securities and real estate law requirements. However, issuers should not have to repeat in their offering memorandum information they have had to disclose under the *REA*. Therefore, you may attach the prospectus or other disclosure document required by the *REA* to your offering memorandum. If one of the items in the offering memorandum form repeats an *REA* requirement, you may complete that item by referring the reader to the place in the real estate disclosure document where the relevant information can be found.

The business

Some items in the form require disclosure about the issuer's "business". In a real estate offering, disclosure about a business will usually only be appropriate if the securities provide holders with a means to participate financially in a business such as a hotel, resort or other commercial enterprise.

Directing minds

The form requires disclosure about the issuer and its management — for example in items 2.1, 2.7 and 3.2 - 3.4. An offering memorandum for real estate securities should include similar disclosure for other persons involved in the transaction — such as the property developer, property manager and their management — to the extent that information is material.

Rental and/or expense pool arrangements

Investing in real estate securities will often involve rental or expense pool arrangements. As explained in item 2.7, you must give purchasers a copy of any pooling agreement if they ask for one. However, the offering memorandum must also include a description of these agreements (see the guideline above, *Material agreements*). Key terms of a rental and/or expense pool agreement include whether the agreement is mandatory or optional, the process for opting out of the agreement, the sharing of revenues and losses and any management fees.

Risk factors

In addition to the risks listed in the offering memorandum form, there are special risks associated with investments in real estate securities. These include:

- reliance on the property developer / manager's efforts
- cash flow and liquidity risks
- potential liability to make additional contributions beyond initial investments
- restricted rights of a holder in the management and control of the strata corporation or business
- inability to change the property manager.

(b) Syndicated mortgage offerings

Disclosure required by Mortgage Brokers Act

Issuers of syndicated mortgage securities must comply with the *Mortgage Brokers Act* (*MBA*). This statute requires that purchasers receive specific disclosure about the property and the investment.

There may be some overlap between securities and the *MBA* requirements. However, issuers should not have to repeat in their offering memorandum information they have had to disclose under the *MBA*. Therefore, you may attach the disclosure required by the *MBA* to your offering memorandum. If one of the items in the offering memorandum form repeats an *MBA* requirement, you may complete that item by referring the reader to the place in the mortgage disclosure document where the relevant information can be found.

The business

The disclosure items requiring a description of the issuer's "business" will likely not apply in a syndicated mortgage offering.

Directing minds

The form requires disclosure about the issuer and its management — for example in items 2.1 and 3.2 - 3.4. An offering memorandum for real estate securities should include similar disclosure for any mortgage broker (and its management) involved in the transaction to the extent that information is material.

Administrative and/or trust agreements

There are certain agreements specific to mortgage offerings that should be disclosed under item 2.7 or 2.2 (see the guideline above, *Material agreements*). These include administration agreements (where the purchaser will be charged fees for administrative services provided by the

mortgage broker) and trust agreements (where funds paid by or payable to purchasers will be held in trust before being advanced to the borrower or distributed to the purchasers).

Securities offered

Item 5.1 requires a description of the securities offered, including their material terms and attributes. In a syndicated mortgage offering, you should include disclosure about the mortgage itself as well as the property, including any other encumbrances affecting it, the loan to value ratio, and any appraisals, to the extent that information is material.

Risk factors

In addition to the risks listed in the offering memorandum form, there are special risks associated with investments in syndicated mortgages. These include:

- reliance on the borrower to make payments under the mortgage
- ability to raise further funds as progress in development or construction occurs
- changes in land value
- ability to recover in the event of foreclosure
- prior encumbrances on the mortgaged property
- ranking of the mortgage in relation to others.

(c) Limited partnership or trust

Directing minds

If the issuer is a limited partnership or trust, where the offering memorandum form requires disclosure about "directors", provide disclosure for the general partner(s) and trustee(s). If a general partner or trustee is a corporation, state the names of the directors of the general partner or trustee.

(e) Issuers with mineral projects

Issuers should refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* when disclosing scientific or technical information for a mineral project of the issuer.

6. Defined terms

When the term "related party" is used in this form, it refers to:

(a) a director, officer or significant securityholder of the issuer
(b) in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence
(c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship
(d) an insider of the issuer
(e) a company controlled by one or more individuals referred to in (a) to (d)
(f) in the case of an insider or significant securityholder that is not an individual, any person that controls that insider or significant securityholder.

If the issuer is not a public issuer, the reference to "insider" includes persons who would be insiders of the issuer if that issuer were a public issuer.

B. Financial Statements

1. Include all financial statements required in the offering memorandum at the end of the offering memorandum.

2. If a restricted issuer is a limited partnership, the financial statements required under item 12(b) are those of the general partner. If the limited partnership has active operations, also include the financial statements of the limited partnership.

APPENDIX C-1

FORM 3F11R (RI)
Risk Acknowledgement — Restricted Issuers

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities commission has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities does not represent a firm that is registered with a securities commission and has no duty to tell me whether this investment is suitable for me. *[Instruction: Delete if sold by registrant]*
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- I could lose all the money I invest.

I am investing $ _____ *[total consideration]* in total; this includes any amount I am obliged to pay in future. _____ *[name of issuer]* will pay $ _____ *[amount of fee or commission]* of this to _____ *[name of person or company selling the securities]* as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest. I read the back of this form before signing it.

_____ _____

Date *Signature of Purchaser*

_____

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You have two business days to cancel your purchase *[Instruction: The issuer must complete this section before giving the form to the purchaser.]*

To do so, send a notice to *[name of issuer]* stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to *[name of issuer]* at its business address. Keep a copy of the notice for your records.

Issuer Name and Address: _____

Fax: _____ E-mail: _____

You are buying *Exempt Market Securities*

They are called *exempt market securities* because the securities do not have to be sold by a dealer registered with a securities commission.

There are restrictions on your ability to resell *exempt market securities. Exempt market securities* are more risky than other securities.

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice *[Instruction: Delete if sold by representative of registrant]*

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from an adviser or investment dealer registered with a securities commission. Contact the Investment Dealers Association of Canada (website at www.ida.ca) for a list of registered investment dealers in your area.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a restricted issuer.

A restricted issuer of exempt market securities does not have to make all material information about its business available at all times. It does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the *exempt market*, call the British Columbia Securities Commission at (604) 899-6500 or 1-800-373-6393 (BC only), Email: inquiries@bcsc.bc.ca

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

APPENDIX C-2

FORM 3F11R (PI)
Risk Acknowledgement — Public Issuers

I acknowledge that the person selling me these securities does not represent a firm that is registered with a securities commission and has no duty to tell me whether this investment is suitable for me.

I am investing $ _____ *[total consideration]* in total; this includes any amount I am obliged to pay in future. _____ *[name of issuer]* will pay $ _____ *[amount of fee or commission]* of this to _____ *[name of person or company selling the securities]* as a fee or commission.

_____ _____

Date *Signature of Purchaser*

_____

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You will not receive advice

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from an adviser or investment dealer registered with a securities commission. Contact the Investment Dealers Association of Canada (website at www.ida.ca) for a list of registered investment dealers in your area.

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

APPENDIX D

FORM 4D1

Annual Report of Sales of Securities by Restricted Issuer

1. a. Name of issuer: _____

   b. Former name (if changed since last report): _____

2. Issuer contact information:

   Address of principal place of business: _____

   Telephone: _____

   Fax: _____

   E-mail: _____

3. Report for financial year ended: _____

4. Details of sales (Complete for each offering made during financial year)

Date of sale	Number and class of securities sold	Total dollar value raised from purchasers in BC	Total dollar value raised from all purchasers (including BC)	Exemption relied on
1.				
2.				
3.				
4.				
5.				

Dated: _____

_____
[Issuer]

By: _____
[Authorized signatory]

_____
[Name and title]

Instruction:

File this report, including the private placement schedule (and the applicable fee) with the BC Securities Commission within 30 days after your financial year end.

Private Placement Schedule

Provide the information set out in the table on a separate page for each offering. **The information in this schedule will not be placed on the public file.**

If an attached table reports on securities sold on more than one distribution date, add a column to identify the dates the securities were distributed.

Date of sale	Purchaser's name, address, telephone no.* and email*	Number and type of securities purchased	Total purchase price (Canadian $)	Exemption relied on

* Required for any sales under rule 3F7 *[Trades to existing securityholders]*, rule 3F9 *[Trades to exempt purchasers]*, rule 3F10 *[Trades to accredited investors]* and rule 3F11 *[Trades under an offering memorandum]*, rule 3F22 *[Persons and markets outside Canada]*, and rule 3F23 *[Exempt offerings under other Canadian Securities law]*.

APPENDIX E

FORM 5A11

Annual Report of Sales of Securities by Public Issuer

1. Name of issuer: _____

2. Issuer contact information:

   Address of principal place of business: _____

   Telephone: _____

   Fax: _____

   E-mail: _____

3. Report for financial year ended: _____

4. Details of sales (Complete for each offering made during financial year)

Date of sale	Number and class of securities sold	Total dollar value raised from purchasers in BC	Total dollar value raised from all purchasers (including BC)	Type of offering (public or private placement) and if non-brokered private placement, exemption relied on
1.				
2.				
3.				
4.				
5.				

Dated: _____ _____

[Issuer]

By: _____

_____

[Authorized signatory]

_____

[Name and title]

Instruction:

File this report, including the private placement schedule (and the applicable fee) with the BC Securities Commission within 30 days after your financial year end.

Private Placement Schedule

Provide the information set out in the table on a separate page for each offering. **The information in this schedule will not be placed on the public file.**

If an attached table reports on securities sold on more than one distribution date, add a column to identify the dates the securities were distributed.

Date of sale	Purchaser's name, address, telephone no.* and email*	Number and type of securities purchased	Total purchase price (Canadian $)	Exemption relied on

* Required for any sales under rule 3F7 *[Trades to existing securityholders]*, rule 3F9 *[Trades to exempt purchasers]*, rule 3F10 *[Trades to accredited investors]* and rule 3F11 *[Trades under an offering memorandum]*, rule 3F22 *[Persons and markets outside Canada]*, and rule 3F23 *[Exempt offerings under other Canadian Securities law]*.

Instruction:

File this report, including the private placement schedule (and the applicable fee) with the BC Securities Commission within 30 days after your financial year end.

APPENDIX F

FORM 7C1/3/4
Notice by Foreign Issuer

Instructions:

Use A for documents filed on SEDAR or other Internet database.

Use B for documents sent to investors.

A. _____ is an issuer that is not subject to, or is exempt from, British
(Name of issuer)

Columbia securities laws. It is regulated by _____ in _____.
(Name of regulator) (Name of jurisdiction)

The disclosure documents filed on _____ comply
(Name of Internet site)

with the laws of that jurisdiction, not the laws of British Columbia.

OR

B. _____ is an issuer that is not subject to, or is exempt from, British
(Name of issuer)

Columbia securities laws. It is regulated by _____ in _____.
(Name of regulator) (Name of jurisdiction)

The disclosure documents enclosed have been prepared in accordance with the laws of that jurisdiction, not the laws of British Columbia.

ALL NOTICES INCLUDE:

You should be aware that:

- The disclosure documents **may not contain** the same information as documents following British Columbia laws.
- The financial statements **are not prepared** in accordance with Canadian GAAP or audited in accordance with Canadian GAAP. This means that they may not be comparable to financial statements of a Canadian issuer.
- If there is a problem, it **may be more difficult** for you to take legal action against the issuer than it would be for you to take action against a Canadian issuer. _____ is the issuer's agent for service in British Columbia located at the following address: _____.
- If you have any **complaints** about the issuer, contact the issuer's regulator.

APPENDIX G

FORM 7C2

Notice by Exempt Foreign Issuer to Become a Public Issuer

1. Name of issuer: _____

2. Jurisdiction of incorporation: _____

3. Issuer contact information:

   Address of principal place of business: _____

   Telephone: _____

   Fax: _____

   E-mail: _____

4. Principal market for Issuer's securities: _____

   _____

5. Designated Jurisdiction: _____

6. Regulator in designated jurisdiction: _____

   _____

   _____

7. Name of agent in British Columbia: _____

8. British Columbia address for service of agent: _____

   _____

   _____

9. The Issuer appoints the agent as its agent for service of any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding relating to the obligations of the issuer under the British Columbia Securities Act or otherwise in connection with the securities of the issuer, and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such proceeding.

10. The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of British Columbia in any proceeding.

11. The Issuer will keep this form in effect and the information in this form current until six years after it has ceased to be a public issuer in British Columbia.

Dated: _____

_____
[Issuer]

By: _____
[Authorized signatory]

_____
[Name and title]

The undersigned accepts the appointment as agent for service of process of *[Issuer]* under the terms and conditions of the appointment of agent for service of process stated above.

Dated: _____

_____
[Agent]

By: _____
[Authorized signatory]

_____
[Name and title]

BRITISH COLUMBIA
SECURITIES COMMISSION

Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2

PHONE: 604.899.6500
PHONE: 1.800.373.6393 (BC, AB)
FAX: 604.899.6506
WEBSITE: www.bcsc.bc.ca